Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2500	S.Arabia	SR9.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht60
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.850
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs28	Oman	OR1.20	UAE	Dh9.00

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Wednesday November 6 1991

Φ D 8523A

MOROCCO
Fears over the UN's Saharan peace deal
Page 4

World News

Hurd sees real chance of Maastricht success

There was a real chance of success at next month's Maastricht summit provided all 12 EC partners concentrated on "substance not procedure," British foreign secretary Douglas Hurd said. But he repeated that there was no question of committing the UK to a single currency. Page 18

Renault blockade ends
Negotiations began at Renault, the French state-owned carmaker, after riot police breached a blockade at the group's main gearbox and engine plant, allowing production to restart. Page 18

Japanese PM cuts pay
The first order of Japan's new prime minister Kiichi Miyazawa after being formally voted into office was to cut cabinet pay by 10 per cent. Factional brawl ends, page 4

Backing for Gates
Robert Gates appeared to be heading for confirmation as the next director of the US Central Intelligence Agency. *He seems to have convinced* a majority of senators to back him. Page 6

Home Office error
The British Home Office jumped the gun on today's Autumn Statement by disclosing to journalists that its spending would increase by 11 per cent to £5.98bn ($10.26bn) in the coming financial year. Page 8

Polish coalition nearer
Four of Poland's larger political parties reached preliminary agreement on forming a government. Their leaders will meet President Lech Walesa tomorrow. Page 3

Power line halted
A French court ordered work to be suspended on a 500,000-volt power line to export electricity to Spain and Portugal through a picturesque valley in the Pyrenees. Alternative routes will be studied.

Biggest ozone hole
Satellites have measured the biggest ozone hole ever recorded over the Antarctic. It now extends more than 21m square kilometres, more than four times *the size of the US*. Page 13

Kenya inquiry 'feared'
Top figures in the Kenyan government feared an anti-corruption inquiry by a murdered foreign minister would reveal details of their illegal dealings, *a judicial inquiry into his* death heard. Page 4

Imelda surrenders
Imelda Marcos surrendered to authorities in the Philippines on tax fraud charges. She was released after posting a 75,000 peso ($2,700) bond. Page 4

Zaire magistrates safe
Two Zairean magistrates returned to work after being held for a time by heavily armed soldiers who abducted them from the Kinshasa High Court. US policy questioned, page 4

Britain appoints envoy
A British envoy is to return to Cambodia next week, the *first in more than 15 years*. David Burns, 54, will have the rank of ambassador but will live in a hotel for the time being.

Back to normal
China and Vietnam normalised ties after a 20-year rift and got down to talks to define a new relationship based on trade and economic co-operation.

Well capping delayed
Shifting winds prevented the capping of Kuwait's last two Gulf war oil well fires on the eve of ceremonies to mark the taming of the world's worst oilfield disaster. Firemen will try again today.

Business Summary

Krupp almost ready to claim control of Hoesch

Fried. Krupp is expected to announce shortly that it has won control of Hoesch, ending a short and bitter battle between two of Germany's *leading steel and engineering groups*.

Kajo Neukirchen, Hoesch's chief executive, told a hostile meeting of 15,000 employees in Dortmund that Krupp had told him it would have proof before Friday that it had a majority of Hoesch shares. Workers called for an inquiry, saying they would continue their resistance. Page 19

MAN, Munich-based engineering group, said the slowdown in the German economy and continuing economic malaise in the country's principal export markets would cut net profits growth to single figures during the year to June. Page 19

US BANKING: Congress began efforts to salvage banking reform legislation following the collapse of a first attempt in the House of Representatives. The House banking committee will meet this morning to vote on a narrow version of the legislation, after a broader version was defeated *by 324 votes to 89 on Monday*. Page 18; Lex, Page 18

GENERAL MOTORS is to invest a further DM100m ($59m) *in its Hungarian plant*, taking its total planned investment in eastern Europe to DM350m. Page 7

NEC, Matsushita Electric Industrial, and Mitsubishi Electric, Japanese electronics companies, expect to reach agreement by the end of the year to develop semiconductors jointly for high-definition television. Page 7

MEXICO'S privatisation programme, which in under three years has raised about $13bn from the sale of 160 companies, is about to meet its toughest test yet – the sale of the three state-owned steel companies, scheduled for November 19. Page 24

SOVIET OIL production is expected to continue to decline, with output likely to fall 9 per cent to 9.7m barrels a day by the second quarter of next year, according to the International Energy Agency, the west's oil watchdog. Page 25

VISA INTERNATIONAL said four commercial banks in Estonia, Lithuania, and Latvia, which had joined Visa, would be pioneers in establishing effective payment systems in their countries. Page 24

PHILIP MORRIS, US tobacco company, has acquired Egri Dohanygyar, Hungarian state-owned cigarette maker, for an undisclosed sum. Egri Dohanygyar made pre-tax profits of Ft407m ($5.5m)in 1990 on sales of Ft3,369m. Page 24

NORTHWEST Airlines, fourth largest US carrier, which has been considering a deal with bankrupt Continental Airlines, recorded after-tax earnings of $105m in the three months to end-September, compared with $91m in the same period last year. Page 24

UNION BANK of Switzerland, the country's largest commercial bank group, expects record profits this year because of a strengthened position in international markets. Page 22

ACCOR, French hotel group, said it had sufficient acceptances from institutional investors in Wagons-Lits to give *it control of the Franco-Belgian* travel company. Page 22

TIP EUROPE, UK trailer rental group which breached a loan agreement last autumn, announced a £29.2m ($50.2m) rights issue and a more stable banking arrangement. Pre-tax profits for the year to July 31 *fell 61 per cent from £15.5m* to £6.01m. Page 28

Publishing group holds crisis meetings with banks

Robert Maxwell dies at sea off Canary Islands

By **Richard Gourlay, Raymond Snoddy** and **Stephen Fidler** in London and **Alan Friedman** in New York

THE body of Mr Robert Maxwell, the international publisher, was last night recovered from the sea off the Canary Islands after he had been reported missing from his private yacht yesterday morning.

Mr Maxwell was last seen alive walking on the deck of his 55-metre yacht at 4.25am.

The announcement from Mirror Group Newspapers, his publicly-owned newspaper group, that the former British Labour MP was "missing at *sea, feared lost overboard*" shocked employees, businessmen and politicians alike.

The shares of both Maxwell Communication Corporation and MGN were suspended in London shortly before the announcement of Mr Maxwell's disappearance, triggering a series of crisis meetings between the group's banks and Mr Kevin Maxwell, his son and MCC's chief executive.

The suspension price of MCC *shares was 121p, down 18p on* the day amid speculation about a further deterioration in the company's financial position.

Mr Maxwell's international business empire included the New York Daily News, the Macmillan publishing business and the Official Airline Guides in the US, media and other concerns in eastern Europe, plus further interests across the world, not just in publishing, but in engineering, football clubs and scientific research.

■ Lex; Page 18
■ Obituary: Contrasts and complexity; Entrepreneur who never lost contact with his roots; Page 20
■ Debt could have exceeded £3bn; The private and public empires, Page 21

Mr Kevin Maxwell is expected to take over the reins of his father's business empire which, the *Financial Times* reveals today, owes close to £2.2bn ($3.9bn), significantly higher than thought.

Mr Maxwell's body was identified last night aboard the rescue helicopter, by a doctor carrying Mr Maxwell's description.

The location of the body – about 20 miles off the coast of the island of Gran Canaria – suggested that Mr Maxwell went overboard soon after he was last seen, according to Mr Jose Alvarez, deputy director of the Spanish Merchant Marine Directorate in Madrid, which co-ordinated the rescue.

The Mirror Group said Mr Maxwell was flown to Gibraltar last Thursday where he joined the 430-ton Lady Ghislaine for a few days' leave from mounting business pressures.

After sailing around the Canary islands over the weekend, the yacht anchored yester-
Continued on Page 18

Robert Maxwell: loss triggered share suspensions

G7 steps in as Soviet debt crisis looms

By **Peter Norman** in London and **Leyla Boulton** in Moscow

SENIOR FINANCE ministry officials from the Group of Seven countries meet in Paris today to decide how to help the Soviet Union overcome an impending external payments crisis.

The news came as the Vnesheconombank, the state bank which services the Soviet Union's foreign debt, warned yesterday it could run out of foreign exchange to meet its debt obligations due this month.

Although western capitals *had no evidence* that the bank had interrupted payments as of yesterday, problems have been mounting in recent days.

Mr Anatoly Nosko, deputy head of Vnesheconombank, gave the warning to the interim Soviet government. It follows appeals to G7 countries for help to prevent a default on its foreign debt exceeding $60bn. Mr Nosko said he expected a foreign exchange shortfall of around $1.7bn for the *month of November*.

Vnesheconombank also admitted it had run out of cash dollars for foreign depositors seeking to withdraw greenbacks from their Moscow accounts although it denied any link to the foreign debt problems.

Mr Vladimir Sterligov, a spokesman for the bank, said the cash shortage in Moscow was a technical problem. He said the bank expected deliv*eries of cash from abroad today* – before the bank closes for a two-day holiday followed by the weekend.

He said the shortage of dollars – other currencies were available – was caused by the reluctance of foreigners and Soviet citizens to sell dollars to the state in exchange for roubles.

Soviet banking officials say west European members of the G7 have already agreed to help support Vnesheconombank's three European subsidiaries – Moscow Narodny in London, Ost-West Handelsbank AG in Frankfurt, and the Paris-based Banque Commerciale de l'Europe du Nord.

These banks have been at the forefront of western attention because they are seen as a potentially weak link in the Vnesheconombank network that could bring a Soviet foreign debt crisis into western financial centres.

At their meeting today the G7 deputies – from the US, *Japan, Germany, France*, Britain, Italy and Canada – will consider options for easing the looming foreign debt crisis, some of which were discussed by the G7 during the annual meetings of the International Monetary Fund and World Bank three and a half weeks ago. But while the G7 stands ready to help the Soviet Union
Continued on Page 20

Soviet bureaucracy to be slashed, Page 3

Empire's net debt still £2.2bn

By **Bronwen Maddox** in London

AT 9am yesterday, two hours before ~~he heard of~~ his father's disappearance, Mr Kevin Maxwell was poring over a map compiled by the Financial Times of the huge web of private and public companies in the family empire.

"Yes, there's a lot of it," he said. But, he *went* on, there were many fewer companies than two years ago, "when we were all constantly travelling, particularly RM".

RM was Kevin Maxwell's name for his father, Robert Maxwell, the once-penniless Slovak peasant who had built a worldwide publishing empire over four decades.

That empire had been coming under increasing financial *strain in recent months. The* FT's investigation shows that the total net debt in the Maxwell companies is probably still about £2.2bn ($3.9bn) - half as high again as the accounts of the public companies show.

The analysis also shows that the Maxwell empire is a web of interlocking interests whose health is partly dependent on the share prices of the two public companies at its heart.

The private companies are believed to have net debt of about £750m – down from about £1bn earlier this year – in addition to about £1.2bn in Maxwell Communication Corporation and about £300m in Mirror Group Newspapers.

These debt figures, even after more than £1bn of disposals this year, illustrate the financial burden under which the group has been labouring. Much of the private debt was secured by mortgages on the assets of the public companies, MCC and MGN.

Mortgage documents show that if the value of the shares pledged falls below 145 per cent of the loans they secure, more security must be provided. *The steady fall in MCC* and MGN shares over past weeks has placed great strain on these arrangements.

The central issue for the Maxwell group's bankers is that, if the MCC and MGN shares fall when requoted, the *drop in value would wipe out* much of the security for loans.

The Maxwell family controls 68 per cent of MCC and 51 per cent of MGN, worth £707m at yesterday's closing prices.

The complexity of the Maxwell web and the privacy of the top holding companies and trusts – based in Liechtenstein and recently Gibraltar – have concealed the ultimate beneficiaries of the empire.

But the Financial Times's search showed that the controllers of the offshore trusts, on a fiduciary basis, are the partners of one of the largest Gibraltar law firms, J.A. Hassan, headed by Mr Joshua Hassan, the former prime minister of Gibraltar.

Serbia rejects EC's revised peace terms

By **David Gardner** and **Ronald van de Krol** in The Hague and **Laura Silber** in Belgrade

SERBIA yesterday refused to *accept the revised terms of the* European Community's proposed political solution to Yugoslavia's civil war, making it likely that the Twelve will implement the package of sanctions they agreed in Brussels on Monday.

The rejection coincided with *an attack by Croat forces on* the Serbian town of Sid, 100 kilometres from Belgrade, the capital of Serbia. Four people were killed and 12 wounded, according to Tanjug, the Belgrade-based news agency.

The attack also fuelled fears that Croatia was about to *launch an offensive against* Serbia which has been spared bombardments of any kind.

In Croatia, leaders from the eastern cities of Osijek and Vukovar, which have been besieged by the Serb-dominated federal army and Serb paramilitary units for two *months, appealed for aid from* Croat army commanders in Zagreb, the republic's capital.

After yesterday's eighth Yugoslav peace conference in
Continued on Page 18

Editorial comment, Page 16

Saudi bid for F-15s shows US hold over arms orders

By **Paul Betts** in Dubai and **David White** in London

SAUDI ARABIA has submitted a formal request to the US to *buy 72 McDonnell Douglas F-15* combat jets worth about $4bn.

The planned order, which may be followed by another from the United Arab Emirates for the same kind of aircraft, confirms fears in the European defence industry about an increasing US hold on the lucrative Gulf arms market in the aftermath of the war against Iraq.

It raises fresh questions about the long-awaited Saudi contract to buy 48 more Tornado fighter-bombers from British Aerospace. However, BAe said its negotiations with Saudi Arabia would not be affected.

The request for US F-15s came as no surprise, BAe said. It expected that the aircraft *would operate alongside the* Anglo-German-Italian Tornados. An F-15 deal should have "no impact whatsoever" on its prospects for further sales.

Saudi Arabia has already bought 72 Tornados in both fighter-bomber and air-defence versions. The additional 48 *were foreseen under a fol*low-on agreement signed by the US and Saudi governments three years ago but the sale has still be be concluded.

Saudi Arabia opted for the Tornado in the mid-1980s when it became clear the US was not prepared to sell it the long-range strike version of its top-ranking fighter, the F-15E, because of opposition from the pro-Israeli lobby in Congress.

The latest Saudi request, which includes *the two-seater* F-15E as well as other versions of the aircraft, will be a test of how congressional attitudes on the Middle East have evolved.

"If we are not allowed to meet this demand, others will," said Mr Robert Trice, a senior McDonnell Douglas executive, *at an* air show in Dubai.

Saudi officials made clear more than two years ago they were still keen to obtain F-15Es. The Saudi Air Force already has 84 *F-15C* and *F-15D* fighters with a further 10 due for delivery. Israel is the only other country in the region to *have the aircraft*.

McDonnell Douglas is also hoping to sell 26 F-15s to the United Arab Emirates. This would be a severe blow to the French company Dassault Aviation, which has been seeking a further order for Mirage 2000 jets in addition to the 36 it has already sold there.

The proposed Saudi and UAE orders would provide significant relief for the sagging fortunes of McDonnell Douglas. *They would prolong by three* or four years its F-15 production line at St Louis, which is otherwise expected to close by the end of 1993.

McDonnell Douglas is also proposing its F/A-18 multi-role jet to Riyadh as a replacement for the Saudis' ageing Northrop F-5 fighters. Kuwait has expressed interest in buying 35 more F/A-18s in addition to 40 which it ordered before last year's Iraqi invasion. Egypt is *also seen as a potential market* for F/A-18s.

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Nato: Members agree it must be preserved, but are struggling to redefine the format 17

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UK banks: *The Bank of England is under pressure over banks' capital reserves* 19

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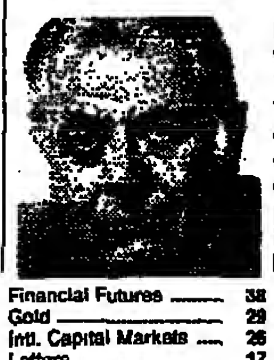
Potholes hinder Chile's road to improved economic growth



President Patricio Aylwin's project to improve the infrastructure of Chile has yet to *emerge as a well*-designed programme of specific projects, priorities and deadlines
Page 6

MARKETS

STERLING
New York close
$1.773 (1.7735)
London:
$1.77 (1.7805)
DM2.9075 (2.906)
FFr9.935 (same)
SFr2.565 (2.555)
Y229.75 (229.5)
£ index 91.2 (91.3)
GOLD
New York Comex Dec
$355.4 (358.1)
London:
$356.35 (358.45)
N SEA OIL (Argus)
Brent 15-day Dec
$22.425 (22.525)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.63855 (1.639)
FFr5.602 (5.6015)
SFr1.445 (1.4425)
Y130.0 (129.25)
London:
DM1.642 (1.633)
FFr5.6125 (5.58)
SFr1.4485 (1.435)
Y129.8 (128.9)
$ index 63.5 (63.2)
Tokyo close:129.38
US closing rates
Fed Funds $4\frac{13}{16}$% ($4\frac{15}{16}$%)
3-mo Treasury Bills:
yield: 4.877% (4.844%)
Long Bond:
$101\frac{3}{32}$ ($101\frac{13}{16}$)
yield: 8.021% (7.847%)

STOCK INDICES
FT-SE 100:
2,540.9 (+13.1)
FT-SE Eurotrack 100:
1,092.54 (+4.47)
FT-A All-Share:
1,228.64 (+0.4%)
FT-A World Index:
148.43 (-0.5)
New York close
DJ Ind. Av.
3,031.31 (-14.31)
S&P Comp
388.71 (-1.57)
Tokyo: Nikkei
24,950.86 (−93.38)
LONDON MONEY
3-month Interbank:
$10\frac{3}{8}$% ($10\frac{7}{16}$%)
Liffe long gilt future:
$94\frac{13}{32}$ ($94\frac{19}{32}$)

France and Germany fail to resolve Emu row

By Quentin Peel in Bonn

OFFICIALS from the French and German finance ministries and central banks were instructed yesterday to thrash out a compromise in the next six days on the key remaining question of European monetary union (Emu) which still divides them.

The decision was announced after the countries' finance ministers and central bank governors failed to resolve their differences at their regular bilateral economic council.

The issue concerns the status of the European Monetary Institute (EMI) which is intended to be the forerunner of a fully-fledged European central bank, and is supposed to prepare the way for full-scale monetary union.

France wants the EMI to have an independent president and vice-president to bolster its status, while the German Bundesbank maintains that it should be kept as weak as possible throughout the transition phase towards Emu, so that there should be no "grey areas" or confusion over the control of monetary policy. The Bundesbank therefore wants its membership limited to the governors of the 12 EC central banks.

Both Mr Theo Waigel, German finance minister, and Mr Pierre Bérégovoy, his French counterpart, insisted that they had narrowed the gap between them, although there was less sign of accommodation from their respective central banks. The problem came to a head at last week's regular EC central bankers' meeting in Basle.

"We agreed that an institute should exist, but not a central bank, so that there would be no grey zones in the transitional phase," Mr Waigel said at a joint news conference. The national central banks will continue to be individually responsible for monetary policy – within the constraints of the European monetary system – during the transition phase, but the phase should be as short as possible, to guard against confusion over "the jurisdiction of monetary policy".

Mr Bérégovoy confirmed that the key disagreement was over the appointment of an outside president and vice-president. Both sides agreed that all members should be entirely independent of their governments, he said. However, France proposed the extra members in addition to existing central bankers.

At that point Mr Helmut Schlesinger, the Bundesbank governor, indicated that he wished to intervene, to stress that the EMI would have no responsibility for monetary policy during the interim phase.

Mr Waigel said the EMI "should exclusively consist of central bank governors".

The ministers said their top officials had been instructed to work on possible compromises by next Monday – when the inter-governmental conference in Brussels, and the central bank governors in Basle, resume their meetings.

Finns discuss new Soviet pact

By Enrique Tessieri in Helsinki

FINLAND and the Soviet Union ended preliminary talks yesterday on replacing the antiquated 43-year-old treaty of Friendship, Co-operation and Mutual Assistance (FCMA).

The new treaty, called the Finnish-Soviet Treaty of Good Neighbourliness and Co-operation, is expected to be ratified by both countries this year.

The most significant aspect of the new friendship treaty is that there is no military clause. The FCMA treaty obliged Finland to repel an armed attack "by Germany or any state allied with the latter," and with possible Soviet military assistance.

According to observers, the new Finnish-Soviet friendship treaty resembles those recently signed between Moscow and other western European nations.

Apart from promoting good neighbourly relations, new Helsinki-Moscow relations will be based on the principles of international law according to the UN charter and the Final Act of the Conference in Security and Co-operation in Europe.

The friendship treaty also reinforces the present borders.

Finland was forced to cede large areas of its territory to the Soviet Union after the war. These include the Karelian Isthmus, Salla and Petsamo, located in the Kola peninsula.

Helsinki and Moscow have already ended the 40-year-old barter trade system, and now use hard currency.

Hurd slips into unnatural role

Philip Stephens assesses the British foreign secretary's tactics

BASHING Brussels is not a role into which Mr Douglas Hurd slips naturally. An urbane intellectual and instinctive moderate, the foreign secretary has a natural preference for quiet debate rather than strident rhetoric.

Unlike some of the more emotional members of Britain's Conservative party, he can separate personalities from policies. He disagrees with the federalist vision of Mr Jacques Delors, yet regards the Commission president as an honest and clever man – not the demon of Mrs Margaret Thatcher's nightmares.

Mr Hurd though is also an astute politician at the centre of negotiations on whose outcome could well rest his government's hopes of re-election next year. The clash between the ambitions of Britain's partners for closer integration and the resistance of many Conservatives to handing more power to Brussels make for an awkward balancing act.

So the sharper tone of his remarks this week should not be seen as heralding a dramatic reversal of his pragmatic enthusiasm for the enterprise or of his personal hopes for a deal at Maastricht.

Instead they are part of a careful tactical game being played during the approach to next month's summit. There are two audiences: his counterparts in other European capitals and his own party at Westminster. The message to both is: Britain will not be a "push-over" in the negotiations.

The current assessment in the Foreign Office is that the chances of an agreement on political union next month are at present around 55:45 in favour. Those odds are expected to improve if this week's summit of Nato leaders in Rome passes without serious argument on the role that the US should continue to play in Europe's defence.

Hurd: prefers quiet debate to strident rhetoric

The government wants a deal. The political calculation is that Mr John Major's hopes of a general election victory would be severely dented by isolation.

An exhaustive ministerial review of the negotiations on political union – an exercise unprecedented during Mrs Thatcher's premiership – has identified a series of possible compromises.

The government sees the possibility of modest extensions to the Community's role in areas such as the environment, health and education. It accepts the possibility of strengthening the European Parliament's power of veto in areas subject to majority voting. It sees potential bridges between its view that increased co-ordination on defence, foreign and interior policies must be on an inter-governmental basis and the wishes of others to bring them within the Community's competence.

But Mr Hurd is deeply concerned that his counterparts – and particularly the government of President François Mitterrand of France – have not realised that in some areas Britain cannot cede ground. He has been disturbed by reports that Mr Mitterrand has been drawing parallels with past negotiations during which Mrs Thatcher's violent objections were followed by last-minute British retreats. The conclusion of the ministerial review was that majority voting to implement the social charter and the extension of Community authority to issues like immigration and crime would be unacceptable to the most of the Conservative party.

By stating that position in untypically stark terms in Brussels on Monday, Mr Hurd was aiming to shift the centre of gravity of the debate towards the British position. "We are still the slowest ship in the convoy," is how one Whitehall official puts it.

In the process Mr Hurd was seeking to reassure his party – with its reflex antagonism towards the European Commission's intrusions into the "nooks and crannies" of British life – of the government's intentions. Talking tough now, the logic runs, will help persuade Tory doubters that if Mr Major and Mr Hurd do sign a deal it will be a good one.

That, however, takes Mr Hurd to the second part of his message to other EC governments: one which was clear between the lines of his speech in the Hague yesterday and one which sits more naturally with the foreign secretary's temperament. If they scale down their ambitions, Britain is ready to strike a deal which represents a worthwhile step forward for the Community. It is that which Mr Hurd will emphasise when foreign ministers meet for their pre-Maastricht conclave later this month.

Brittan confident of deal at Maastricht

By Patrick Blum in Lisbon

AGREEMENT on European economic and political union at next month's conference at Maastricht can be achieved, Mr Leon Brittan, Community competition commissioner, said in Lisbon yesterday.

"I do not believe any of the issues are incapable of solution, and that the countries of the Community are so far apart on political union that successful agreement at Maastricht cannot be achieved. That does not mean that it will be achieved, but I do not believe there are fundamental disagreements that cannot be bridged," he said.

On economic and monetary union (Emu), Mr Brittan was optimistic and said British requirements had been met in the latest Dutch proposals. "I very much hope that when the time comes, Britain will be amongst the first group of countries to move to a single currency. Not only do I hope it will happen, I believe it will." He said the political requirement was that there should not be a firm commitment now, and that was understood by Britain's partners.

Problems over foreign affairs, security and defence could also be overcome. "Everybody is agreed there needs to be closer work together. Although there are differences, nuances and questions about institutions, the fundamental objectives are ones which can be shared by everybody, including Britain."

Mr Brittan praised Portugal for its "very positive spirit" which he said provided a good basis for dealing with the difficult issues coming up during its EC presidency starting next January.

Treuhand to decide hotel deal this month

By Christopher Parkes in Bonn

THE BOARD of Germany's Treuhand privatisation agency is to decide later this month on the sale of 29 hotels from the Interhotel chain for an estimated DM3bn ($1.70bn).

It will be east Germany's costliest privatisation deal. The Sixt group, a car hire company based in Munich, is narrowly favoured to take control, ahead of Klingbeil, a Berlin property company. The Treuhand board is due make the decision when it meets on November 22.

Most of the 200-odd potential bidders, including big international hotel chains, which showed interest when London merchant bank S.G. Warburg called for tenders earlier this year have dropped out.

● Industrial production in west Germany fell by 0.5 per cent in September, according to provisional figures issued by the government statistics office.

Output from manufacturing industry was 1 per cent lower than in the previous month, but the overall result was boosted by a 5.5 per cent rise in construction, a 3 per cent increase from mining and a 1 per cent improvement from the power industry.

Two-month comparisons of August/September with June/July showed a reduction in output of around 3 per cent, although the Economics Ministry said the figures were depressed by the lateness this year of the holiday period in industrial regions.

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EUROPEAN NEWS

Russia set to remove foreign trade curbs

By John Lloyd in Moscow

A DRAFT decree on foreign trade and currency exchange which would dismantle almost all the controls in Russia inherited from the Communists is ready for signature by President Boris Yeltsin, according to Soviet media.

The move is aimed at freeing foreign trade structures. These are dominated by monopolistic enterprises and tight regulations on exchange of foreign currency, and hampered above all by an unconvertible currency.

The decree is one of a series drafted for Mr Yeltsin's signature, which together constitute a rapid turn to the market by Russia.

Under the decree Russia would move to internal convertibility of the rouble – allowing at least enterprises and possibly also individuals to convert roubles to hard currency and vice versa on current account. These would presumably be roubles issued by a Russian central bank.

Taxes levied on the export and import of goods, and all requirements for export/import licences, would be lifted – except for some strategic goods. Companies and individuals would be able to buy and sell foreign exchange at Russian banks and open foreign bank accounts.

At the same time, the decree provides for a Russian customs service and code to replace USSR customs before April 1 next year.

A new Russian government is expected to be announced today or next Monday, according to the daily Izvestia.

It says the chief economics minister will be the most important figure but that Mr Yeltsin is undecided about whom to choose: Mr Egor Gaidar, the economist who is drafting his economic decrees, Mr Evgeny Saburov, the Russian economics minister, Mr Yuri Skokov, a state councillor, or Mr Grigory Yavlinsky, deputy chairman of the Committee for the Management of the National Economy and in effect the Soviet economics overlord.

World Bank help for USSR

THE World Bank yesterday formally began what is likely to be an intense engagement with the Soviet economy when Mr Lewis Preston, its president, signed an agreement for technical assistance worth \$30m (£17.4m) with President Mikhail Gorbachev, writes John Lloyd. The money is to be spent largely on training and expert advice.

The spending on technical assistance was passed by a special resolution of the board last week, and presages the establishment of a permanent office in Moscow.

Fifty thousand jobs could go as central bureaucracies are abolished

Soviet government to be slashed

By Leyla Boulton in Moscow

THE Soviet Foreign Ministry will be slashed by a third and 50,000 bureaucrats could lose their jobs when dozens of other union ministries are abolished in a big reduction in central government.

A spokesman for President Mikhail Gorbachev also confirmed that 80 central ministries and state committees would be "liquidated or cut back", with most of their responsibilities handed over to the republics.

"For some of these people it will mean the beginning of a happier life but for others it will be a personal drama," said the spokesman. Although he had no exact figures, he quoted one estimate that 30,000 to 50,000 people could lose their jobs in coming weeks.

The Moscow-based "branch" ministries, which have traditionally run various sectors of state industry – from electronics to coal mining – are the main targets but they are likely to be reincarnated as semi-independent corporations.

A new inter-republican economic committee, to be set up on November 16, would retain a co-ordinating role in communications, transport, energy, nuclear energy, aviation and statistics. The ministries for foreign affairs, defence and interior and the office of the state prosecutor are to be streamlined.

Mr Ivan Silayev, who has been nominated as the next head of the inter-republican committee, plans to take on some of the best people employed by these ministries. Many are already looking for jobs in the bureaucracies now being set up by the republics.

Mr Boris Pankin, foreign minister, said yesterday the giant Russian Federation had dropped demands to set up its own embassies abroad. But the institution he has headed for just two months would soon be slimmed down into a new ministry for external relations, with foreign policy to be hammered out jointly with Soviet republics.

It was unclear however whether the independence-hungry Ukraine, which sent its prime minister to a meeting of republican presidents in Moscow, had backed the plans for streamlined foreign and defence ministries. All officials could say is that Mr Vitold Fokin, the Ukrainian prime minister, had objected to the plans at Monday's meeting.

Reform slow to touch the Gulag

Jennifer Monahan reports on the still large labour camp population

SHE WAS born in prison. Her mother was born in prison. Her daughter was born in prison."

Mr Valery Abramkin, a former Soviet dissident, is giving the commentary to a remarkable videotape shot in labour camps during the past two years. The screen shows a 25-year-old woman, bundled-up against the winter north of the Urals. She is one of more than 1.5m people in Soviet prisons, penal colonies or in exile, according to the estimates of Mr Abramkin and his fellow Moscow defenders of human rights.

Mr Abramkin, himself held for six years until 1985 for disseminating anti-Soviet propaganda, was among the participants at the recent conference of Penal Reform International, a non-governmental organisation founded two years ago with members in 40 countries.

The present Soviet situation, as described in The Hague, suggests that "linkage" – the Helsinki Agreement principle by which western aid is contingent upon human rights improvements – still has a vital role to play in encouraging penal reform.

The Moscow Helsinki Group does not claim that political prisoners are still being locked-up, but it wants to show that people remain in prison on charges which would be considered outrageous in the west. The main categories are conscientious objectors and people who tried to leave the country or returned after an illicit spell abroad.

Some prisoners are held under Article 64 of the Criminal Code, embracing "crimes against the state" which, the Helsinki Group is convinced, were engineered by local Communist party chiefs in reprisal for criticism. Strong doubts also persist about some people held in special mental hospitals. These categories as a whole, the group believes, involve about 90 prisoners.

A much wider problem is posed by those who remain imprisoned on obsolete charges. For instance, at least

> Large numbers of people remain in prison on charges which would be considered outrageous in west

12,000 prisoners are known to have been sentenced under the former regime for engaging in commercial activities, which classified private or black market business activities as "speculation." The Moscow Group for the Defence of Economic Freedom, which works for the release of people who once did business that today would be legal, estimates that the number of people affected could be as high as 120,000.

"The Gulag", says Mr Abramkin, "is not a penal system, but a huge complex which uses manual labour to produce income for the state." Obligatory working hours, even for invalids, far exceeded outside norms. Prisoners were shuttled across time zones and climates to meet shortfalls in regional targets, with recent closures of some camps increasing workloads elsewhere.

The relatively small numbers of those held for crimes which would be considered political in the west, and the availability of lists of those involved, made international leverage on their behalf both appropriate and feasible. A trickle of releases had been taking place (five last month, on decrees signed by Russia's President Boris Yeltsin).

For the wider prison population sentenced for "ordinary" criminal offences, changes had been made, but with mixed results. In 1988 the central committee of the now-defunct Soviet Communist Party decided that the prison population had to be reduced, at least to the equivalent US level per 1,000 population.

Prosecutors were ordered to imprison fewer people; camp governors were set targets for releases. But with the break-up of the union, reforms that were centrally dictated had been subverted by local officials.

Mr Abramkin says that often the criteria for release are dictated by targets for industrial production: the good worker stayed inside, the difficult prisoner, often with a far worse criminal record, was freed. Officials at the Interior Ministry, he says, agree that this has played a part in the soaring crime-rate.

Though conditions in the prisons have shown some improvement, an eighth of Soviet prisoners needed treatment for tuberculosis, with former prisoners making up 70 per cent of cases in the population at large. Mr Abramkin is one.

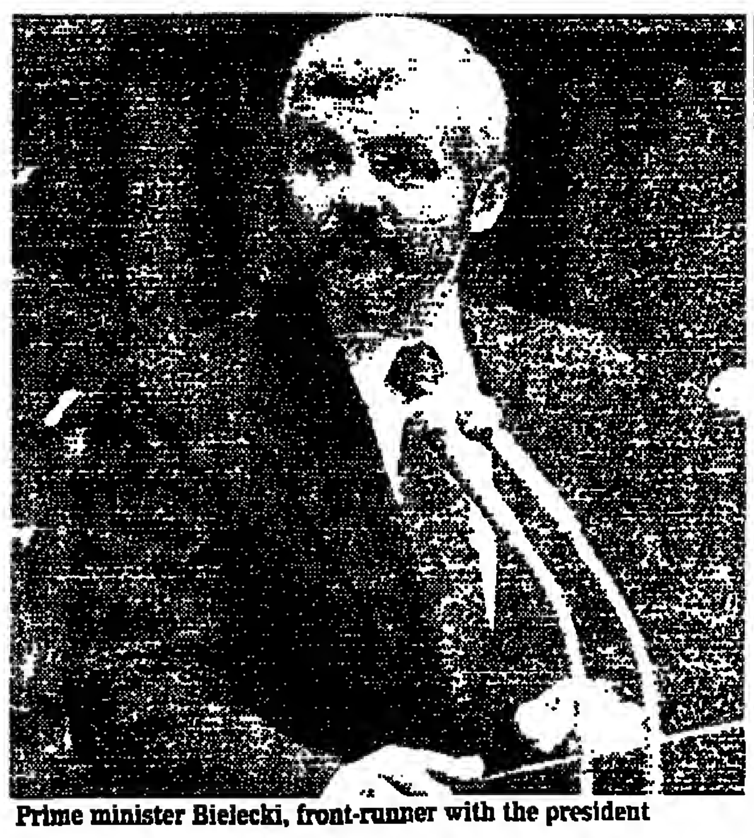
The old Criminal Code remains largely intact. The most blatant political clauses have been removed, but it retains the crude distinction between the first offender who gets a relatively light sentence and the "recidivist" – anyone caught a second time, whatever the nature of the offence – who is treated as dangerous. Examples of "recidivists" were to be seen in the videotape shown in The Hague including old people hobbling over icy tracks between cell-blocks.

Mr Abramkin says that the cycle continues. Official figures showed that 30,000 teenagers are held in remote corrective boarding schools, where abuse is even more common than in adult colonies.

In camps where Mr Abramkin's videotape was shot, two-year-olds separated from their mothers showed classic signs of stress and retardation.

The nursery staff recognised it and drew attention to it, but the mothers had to meet industrial targets.

A fellow PRI member, Mr Leonid Shinkarev, adds that the public's near-hysterical fear of crime has made political change very sensitive and given penal reform specifically a very low priority.



Prime minister Bielecki, front-runner with the president

Four parties ready to form Polish coalition

By Christopher Bobinski in Warsaw

FOUR of Poland's larger political parties have reached preliminary agreement on forming a government. Their leaders are due to meet President Lech Walesa tomorrow to try to agree on a prime minister, according to the president's spokesman.

The general election on October 27 – the country's first free election since the Thirties – failed to produce a clear winner and returned over 10 political groups, none of which won more than 12 per cent of the votes.

The four groups are the Electoral Catholic Action, a right-wing Catholic party, the Centre Agreement, who are more moderate Christian Democrats, the Confederation for an Independent Poland, a radically anti-Communist group critical of Poland's IMF-approved stabilisation programme, and the free market Liberal Democratic Congress Party (KLD). Together, they command 176 votes in the 460-seat Sejm.

Mr Walesa is thought to want Mr Jan Krzysztof Bielecki, the prime minister since January, to continue in the post. This would explain the presence of the KLD in the list of four parties. Mr Bielecki is committed to Poland's free market reform and anti-inflationary policies.

Mr Walesa's spokesman said yesterday that the four political parties were expected to hold a meeting today which other groups were welcome to attend if they were willing to join the coalition.

Only the KLD has been clearly in favour of Poland's tight monetary policies; the other three potential coalition partners ran election campaigns promising anti-recessionary policies which risk spurring inflation.

Sweden to reduce spending by SKr9bn

By Robert Taylor in Stockholm

SWEDEN'S new centre-right coalition government yesterday announced spending cuts totalling SKr9bn (£850m) in an economic package designed to stimulate what it calls "a new era of enterprise, growth and development".

Mr Carl Bildt, the prime minister, insisted the government would reduce public expenditure each year by SKr10bn-SKr15bn despite worsening economic conditions and a widening budget deficit which is estimated to reach SKr92bn in the 1992-93 financial year.

The long-term plan remains to cut Sweden's high level of government spending and its tax burden as a proportion of gross domestic product – at 55 per cent among the highest in the world – to around 40 per cent.

Mrs Anne Wibble, the finance minister, said tax reductions would have to be offset fully by spending cuts to ensure the economy did not become seriously unbalanced.

The government's most controversial proposal is to save SKr2bn by freezing for a year a previously agreed rise in child allowance for until January 1993. This could face defeat in parliament where the government lacks an overall majority.

Mrs Wibble also appeared to be heading for a confrontation with the powerful local authorities who will not be allowed to increase their spending programmes over the next two years and face a cut in financial support from the state of SKr5bn-SKr10bn in 1993.

The government also announced an increase of SKr4bn in labour market measures to contain the rise in registered unemployment to less than 4 per cent.

LDP's latest factional brawl ends as Miyazawa takes office

By Stefan Wagstyl in Tokyo

MR Kiichi Miyazawa was formally voted into office yesterday as Japan's prime minister after a month of political brawling inside the ruling Liberal Democratic Party.

The Diet (parliament) confirmed his appointment through ballots in the lower and upper houses which rubber-stamped a selection made in advance by the LDP's chiefs.

In an inaugural cabinet meeting, Mr Miyazawa instructed his 20 ministers to return 10 per cent of their salaries up until next March to help the government cover its most recent Gulf war pledge of $9bn (£5.2bn).

Announcing the cabinet salary cuts, the chief cabinet secretary, Mr Koichi Kato, said Mr Miyazawa had also called on his ministers to refrain from stock market deals and other types of trading, such as that involving costly golf course memberships, during their terms of office. He had also ordered them to quit their party factions.

However, Mr Michio Watanabe, who came second in the prime ministerial race and was named as foreign minister and deputy premier, told reporters he had no plans to step down as head of the fourth largest faction.

"My first responsibility is to the cabinet but I'm not going to turn away my supporters if they come to me," he said.

Like, Mr Toshiki Kaifu, his predecessor, Mr Miyazawa comes to the prime ministership through the will of Mr Shin Kanemaru and Mr Noboru Takeshita, leaders of the largest of the factions which make up the LDP. When Mr Miyazawa, 72, announced his candidacy a month ago, he raised some hopes that he and his ministers might be selected on the basis of his considerable talents and experience as a former finance ministry official and a politician who first served in the cabinet 30 years ago.

But over the following weeks, party bosses made their decisions almost entirely on the basis of factional rivalries – to the disgust of the general public.

The Kanemaru/Takeshita faction has increased its power at the expense of most of the rest.

It has secured six out of 21 cabinet posts, the same as in the Kaifu cabinet, but with a tighter grip on top positions, including the ministries of finance, international trade and industry, and justice.

Moreover, Messrs Kanemaru and Takeshita have effectively smashed the power of Mr Hiroshi Mitsuzuka, head of the second largest faction, which split during the leadership race. Mr Mitsuzuka's faction has four seats in the new cabinet against five previously, and only one senior portfolio.

Mr Miyazawa's weakness is highlighted by the fact that his faction's representation in the cabinet falls from four seats to two – the price he pays for being prime minister. Apart from Messrs Kanemaru and Takeshita, the other main winner to emerge from the struggle is Mr Watanabe.

A blunt, outspoken man, as he demonstarted in rejecting the prime minister's missive yesterday on factions, he is the antithesis of the well-educated and sophisticated Mr Miyazawa – and the last man Mr Miyazawa might himself have chosen as a deputy.

Mr Watanabe, who is 68, wanted the foreign ministership in order to improve his reputation as a statesman and put behind him his international gaffes, which include once insulting US blacks. His success in this round of intra-party fighting makes him a strong future contender for the prime ministership.

The new finance minister is Mr Tsutomu Hata, 56, a man with no previous experience of the finance brief but with a successful record as agriculture minister, dealing with thorny trade issues including Japan's ban on rice imports. LDP members like him, but his influence is largely derived from loyalty to Mr Takeshita and Mr Kanemaru.

The two bosses have put another protégé – Mr Kozo Watanabe, 59 – into the crucial post of running the ministry of international trade and industry (Miti). His strength lies in his skills in intra-party politicking, frequently serving as an aide to Mr Kanemaru. Mr Watanabe pledged yesterday to try to ease international economic frictions.

Mr Masami Tanabu, 56, the agriculture minister and a former Olympic ice hockey player, will nominally take charge of the sensitive talks over the rice import ban, which has figured prominently in the Uruguay Round of the General Agreement on Tariffs and Trade. But as an independent LDP member without a faction, Mr Tanabu has little influence. Mr Kanemaru and Mr Takeshita are expected to use his appointment as a way of controlling the agriculture brief as well as the six others.

Opposition politicians condemned the return to the cabinet of LDP members tainted by the Recruit bribery scandal of 1989, including both Mr Miyazawa and Mr Watanabe.

LDP politicians retorted that the passage of time and the 1990 general election had cleared their names. Nevertheless, Japanese feel that the cabinet's selection proves the LDP has returned to its pre-Recruit ways in which factional politics comes before all else.

As for international opinion, the first real test of the cabinet will come soon with the visits to Japan later this month of Mr James Baker, the US secretary of state, and of President George Bush, who will be visiting the country for the first time since taking office.

The difficult issues of Japan's role in the world and of trade friction will be high on the agenda.

MOUNTING evidence of a slowdown in the Japanese economy was provided yesterday by Japan's Economic Planning Agency, which reduced its estimate for industrial investment and reported a drop in consumer confidence, Steven Butler reports from Tokyo. The agency forecast that plant and equipment investment would rise by 4.8 per cent in the year to the end of March compared with previous estimates of 7.9 per cent.

Kiichi Miyazawa bows to applause after MPs voted him prime minister. Behind him are former premiers Noboru Takeshita and Yasuhiro Nakasone. Bottom right is his deputy, Michio Watanabe.

Vietnam and China forced into friendship

By Yvonne Preston in Beijing

MR Vo Van Kiet, Vietnam's prime minister, and Mr Do Muoi, head of the ruling Communist party, were welcomed yesterday by their Chinese counterparts in the Great Hall of the People as the countries normalised diplomatic ties.

The summit meeting with China's premier, Li Peng, and Chinese party boss, Jiang Zemin, marks the symbolic end to a 20-year rift during which the two fought a brief but bloody border war in 1979.

With both sides maintaining embassies in each other's capital, relations were never entirely severed. But the speed of the reconciliation, a process begun only three months ago, is still remarkable, given long-standing suspicions and historical animosities.

The pace has been largely dictated by the collapse of communism in the Soviet Union, which ended Vietnam's Soviet-client status and cut off the flow of aid.

At the same time Beijing's leaders, nervously surveying the diminishing number of countries in the communist world, have been gathering the remaining orthodox socialists under their wing to counter the new world order defined and dominated by the US.

With communism in retreat and China increasingly isolated ideologically, Beijing has set these considerations aside in seeking to make friends with its neighbours. China Daily yesterday reported intensified efforts to develop trade with neighbouring countries including Vietnam, South Korea and Japan.

Beijing is said to have driven a hard bargain with Hanoi before agreeing to make up and be friends. In June, allegedly under pressure from China, the Vietnamese government replaced its supposedly "anti-Chinese" foreign minister, Mr Nguyen Co Thach, as well as the interior minister, Mr Mai Chi Tho, blamed for the expulsion of tens of thousands of ethnic Chinese from Vietnam in the 1970s.

Trade and bilateral economic co-operation, suspended for 12 years, are expected to dominate the Sino-Vietnamese summit talks over the next five days. Big differences remain, despite the thaw. They include widespread resentment about the 1979 border war, and a number of unresolved territorial disputes. There are border disputes as well as the old, vexed question of who has the right to the Spratley and Paracel islands in the South China Sea.

Mutual concern prompted the two sides to get together again and the need to improve relations gained added urgency with the unfolding political drama in the Soviet Union, which shocked Hanoi as much as it dismayed Beijing.

A British envoy is to be posted to Cambodia next week, the first in more than 15 years, agencies report. The Foreign Office announced yesterday that Mr David Burns, 54, present head of the Foreign Office North America department, will be accredited to Cambodia's Supreme National Council. The appointment comes after the decision at an international conference in Paris two weeks ago to prepare for elections under United Nations supervision over the next two years.

Palestinian poll gives boost to peace talks

PALESTINIAN nationalists who swept local elections in the Israeli-occupied Gaza Strip said yesterday that the results showed Palestinians had swung behind peace talks and away from Islamic fundamentalism, Reuter reports from Jerusalem.

"The chamber of commerce elections are the message from the Palestinian streets to the peace conference," said Mr Mohammed al-Qidwah, one of 13 nationalists elected to the board on Monday in the first chamber of commerce poll in the Gaza Strip for more than 25 years.

Nationalists aligned to the Fatah movement of Mr Yassir Arafat, the Palestine Liberation Organisation chairman, and other mainline groups won 13 out of 15 seats.

Fundamentalists, who regard the Gaza Strip as their power base, won the remaining three seats.

More than 90 per cent of eligible voters, about 1,500 merchants, cast their ballots.

Ibrahim al-Yazouri, head of the Islamic list which lost the elections said: "These results were unexpected. It was a big shock for me."

Meanwhile Mr Ariel Sharon, Israel's right-wing housing minister, urged that the size of Israel's self-declared buffer zone in south Lebanon should be almost doubled. Israel and its militia allies in the strip shelled suspected pro-Iranian guerrilla targets in south Lebanon yesterday for the 10th consecutive day.

Marcos bailed on charges of tax fraud

By Greg Hutchinson in Manila

A DAY after she arrived home to acclaim from supporters, Mrs Imelda Marcos surrendered to a judge yesterday when the Philippine government ordered her arrested for tax fraud.

The 62-year-old widow of Ferdinand Marcos, the late dictator, posted bail of 175,000 pesos ($6,676) in relation to seven tax fraud cases pending against her.

Mrs Marcos gave herself up to Judge Antonio Solano of the Quezon City regional trial court. She has been accused of helping to steal billions of dollars during the Marcoses' 20-year rule.

The government of President Corazon Aquino, the widow who toppled Mr Marcos in the 1986 popular revolt that drove the couple into exile, had threatened to arrest her within 48 hours on charges of tax fraud, corruption and embezzlement. But the authorities allowed her to pass through the airport on Monday unimpeded.

Commentators predict she may use her celebrity to stand in next year's presidential race. Mr Tomas Gomez, the government press secretary, challenged Mrs Marcos to run, adding: "Imelda Marcos has a huge propensity for self-deception." He dismissed the possibility of a "battle of the widows" when he said Mrs Aquino, as she has previously indicated, "definitely won't run again".

Earlier yesterday, Mrs Marcos flew to Ilocos Norte, her husband's home province. One of her destinations was the Marcos family home in Batac where Mr Marcos' unburied, but chemically-preserved, mother awaits a home burial with her son. Mr Marcos, who died more than two years ago, lies in an air-conditioned crypt in Hawaii.

Imelda Marcos submits yesterday to being fingerprinted after surrendering to authorities on tax fraud charges

US ready to adopt harder line on its old ally Mobutu

By Lionel Barber, US Editor, in Washington

THE Bush administration will today seek to deflect mounting congressional criticism of its hands-off policy towards Zaire and President Mobutu Sese Seku, its beleaguered ruler.

In testimony to the Senate foreign relations committee, Mr Herman Cohen, assistant secretary of state for African affairs, will call for the urgent creation of a transitional government leading to free elections.

But Mr Cohen is expected to stop short of calling for the immediate resignation of Mr Mobutu, raising questions about why the administration is so reluctant to cut loose the Zairean president whose 26-year rule has been marked by gross violations of human rights and corruption.

One theory in Washington is that President George Bush is loath to take an active role in pushing out Mr Mobutu, an old if sometimes unreliable ally who, during the height of the Cold War.

Mr Mobutu provided support for US covert operations in Africa, notably funneling arms to the Angolan rebels, led by Mr Jonas Savimbi.

Mr Mobutu seized power in the mineral-rich former Belgian colony in 1965 assisted, according to some US academics, by the Central Intelligence Agency. During the 1970s and 1980s, the US secured hundreds of millions of dollars of aid to Zaire, often using its muscle in international financial institutions such as the World Bank.

What is clear is that the Zairean crisis has simply failed to capture the attention of an administration which is focussed almost exclusively on the Soviet Union and the Middle East.

This mixture of wariness and indifference offers a mirror image of the Bush administration's dealings with another corrupt dictator, President Samuel Doe of Liberia.

Mr Doe, too, was a long-standing recipient of US-supported largesse; but when his regime ran into trouble, the US restricted its role to securing the evacuation of US residents in Liberia.

US officials defend administration policy, arguing that Washington has no wish to become king-maker in central Africa.

The view is that France and Belgium, the two former colonial powers, are better placed to handle the risks.

However, pressure for a more active US policy is growing.

Members of Congress, including Senator Nancy Kassebaum, the Kansas Republican, have written to General Brent Scowcroft, Mr Bush's national security adviser, urging more vigorous diplomacy. Senator Kassebaum called upon Mr Mobutu this week to give up power immediately.

Millions of S African blacks strike

By Patti Waldmeir in Johannesburg

MILLIONS of South African blacks stayed away from work for a second day yesterday, in a display of support which will strengthen the hand of the African National Congress when talks begin on a post-apartheid constitution.

Preparations for the talks, which could take place this month, continued yesterday when President F W de Klerk met the leaders of four black homelands, including Chief Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom Party and chief minister of the KwaZulu homeland. The leaders said they were ready to launch negotiations on a new constitution.

However, the ANC warned yesterday that constitutional talks could be in jeopardy unless Pretoria first agreed to set up a separate forum to negotiate economic policy. That forum should include political parties, government, trade unions and business, ANC officials said.

The creation of such a group was a key demand of the two-day general strike, which the ANC said had attracted the support of 80 to 90 per cent of the industrial workforce.

Fears over UN's Saharan peace deal

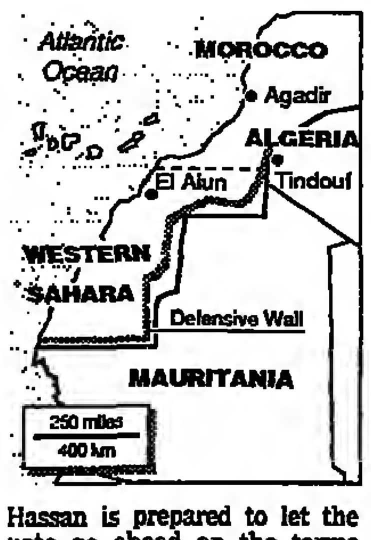
Organising a referendum has proven difficult, writes Francis Ghilès

WHILE United Nations-sponsored peace processes seem to be working well in Angola, Cambodia and El Salvador, anxiety is mounting about progress in the Moroccan-controlled western Sahara, where the UN announced a ceasefire on September 6.

King Hassan of Morocco is due to visit the territory's capital, El Aiun, today to mark the 16th anniversary of the "green march", in which hundreds of thousands of Moroccans marched to the border of what was then a Spanish colony and claimed it by historical and religious right. With General Franco close to death in Madrid, the Spanish government withdrew its forces and the territory was divided between Morocco and Mauritania.

A bitter conflict followed between Morocco and the Polisario Front, backed by Algeria, which proclaimed the Sahara an independent Arab republic. Mauritania, its economy destroyed by the conflict, withdrew and handed over its share to Morocco in the late 1970s.

Although a referendum to decide the territory's future is officially scheduled for January, preparations are not going smoothly. This has raised doubts about whether King Hassan is prepared to let the vote go ahead on the terms previously agreed.



A month before the ceasefire, King Hassan told Mr Javier Pérez de Cuéllar, the UN secretary-general, that he would not accept the deployment of military and civilian personnel of The United Nations Mission for Referendum in Western Sahara (Minurso) until he was satisfied with the UN criteria for deciding who would be eligible to vote in the referendum.

However, Mr Pérez de Cuéllar decided to go ahead with the ceasefire on the agreed date, despite the risk of subsequentmisunderstandings. Only 200 Minurso personnel have so far been deployed in the territory, strictly for the purpose of monitoring the ceasefire. To ensure a free and fair vote in January the UN reckons it will need at least 2,000.

The men already there have been hampered in their task because key equipment has been delayed at Moroccan ports. Observers from the UN High Commissioner for Refugees and the International Committee of the Red Cross are virtually barred from the area. Morocco has yet to withdraw any of its 130,000 troops and is reported to be moving into the territory some 170,000 civilians who it says are of West Saharan origin. Immigrants from Morocco already far outnumber those of the indigenous Saharawis who remained in the country when Morocco took control.

Military operations all but ceased in the mid-1980s but the bulk of the Saharawi population is still living in refugee camps, controlled by the Polisario, around the south-western Algerian town of Tindouf.

All three parties to the conflict – Morocco, Algeria and the Polisario – have agreed since 1981 on the need for a referendum to settle the issue, while King Hassan insists that the result can only "ratify" the status quo.

The battleground has increasingly shifted to the list of those "genuine" Saharawis who will be entitled to vote. Hence Morocco's determination to add names. It submitted 120,000 new ones to the UN last summer. Polisario made an important concession by accepting the Spanish census list, having earlier been foiled by Spain in an attempt to get fake old identity documents printed in Barcelona.

Colonel Rodriguez de Viguri, who as secretary general of the colony supervised the 1974 census, is adamant that the 74,000-name list is accurate. Checking the names on the list, which King Hassan refuses to let the UN publish, could be helped by the discovery three years ago in Madrid of duplicates of 50,000 national identity documents issued to Saharawis in the early 1970s. The documents include the bearer's name, tribe and clan.

The confusion has added to the scepticism among senior western diplomats about the UN's ability to organise a referendum early next year. King Hassan could, if he wishes, help clarify some of these issue in El Aiun today.

Kenyan ministers 'feared probe'

TOP FIGURES in the Kenyan government feared an anti-corruption probe by a murdered foreign minister would reveal details of their illegal dealings, a judicial inquiry into his death heard yesterday, Reuter reports from Kisumu, Kenya.

The allegations were contained in letters from a Swiss businesswoman read out by a British detective called in to investigate the killing of Foreign Minister Robert Ouko. His charred and mutilated body was discovered in a field near his home in western Kenya 18 months ago. Several hundred people at the inquiry wept, sighed and beat their chests when the detective, Mr Ken Lindsay, quoted the letters which he said formed "a very important part" of his inquiry.

The death of Mr Ouko, one of President Daniel arap Moi's most respected ministers, sparked riots The letters were written by Ms Marianne Briner-Marttens on behalf of the BAK Group and gave details of back-handers the company was asked to pay to ministers, including Mr George Saitoti, vice-president and finance minister, to win a multi-million dollar contract. The government has not commented on the allegations.

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AMERICAN NEWS

Donor countries agree policy shift over resources

Aid boost likely for poor nations

By **Nancy Dunne** in Washington

US export finance officials predict a fall in trade-driven foreign aid and a shift in aid resources towards the world's poorest nations following agreement in Paris last week *by the industrialised countries.*

The deal on curbing tied aid – which makes assistance conditional on buying goods from the donor country – followed two years of negotiation.

"I think we have a big win," said Mr John Macomber, chairman of the US Export-Import Bank. "Now we have a definition of what is aid and what is not aid, and you cannot cheat on the non-aid."

The treasury and export credit officials of the Organisation of Economic Co-operation and Development agreed that:

● Tied aid will be banned for projects in higher-income developing countries, such as Mexico, Brazil and Venezuela, unless no other market financing is available.

● Less developed countries – those with GNP of less than $2,465 *a head – can be offered* tied aid for projects deemed by commercial lenders not financially viable.

● The poorest countries can still obtain export financing with a minimum 50 per cent aid component.

● A stringent notification procedure has been established during which tied aid offers can be challenged. The donor must prove to most of the other OECD countries that a financing proposal is in fact foreign aid.

"We have agreed that derogations will be unusual and infrequent," said Mr Jim Sharpe, Eximbank's executive vice-president and a US negotiator in Paris. Over the next few years "case law will evolve" to settle what is permissible financing.

The use of tied aid packages has been a constant irritant among OECD members since the early 1980s. In recent years, US companies have been losing an estimated $4bn-$6bn in contracts a year because of their inability to counter their competitors' tied aid bids.

Until Eximbank began to offer its own tied aid, American companies were virtually driven out of the "spoiled markets" for capital projects in the Pacific Basin by Japan and they have feared losing market share in Latin America to the tied aid packages being offered by Spain, Italy, and Portugal.

At the same time, governments were shifting their limited foreign aid budgets to the middle-income countries, where commercial returns seemed promising.

Divisions among the trade, aid and finance ministries of the OECD countries delayed agreement to limit tied aid, Mr Macomber said. However, they succumbed to US pressure after Congress developed a tough US response and the end of the Cold War elicited new demands for capital.

Mr Macomber acknowledged there would be widespread scepticism about whether the deal would hold. A remaining loophole, the definition of untied aid – funds given allegedly with no strings attached – is to be negotiated within 18 months.

RESIDENTS in Duluth, Minnesota, dig their cars out after heavy snow this week.
Unseasonally low temperatures and early snow falls **have gripped much of the US, AP reports. Record lows were set in 100 cities on Monday, with below-zero readings – at least -20 degrees Celsius – across the continent.** ***Vegetable crops in Georgia and Alabama*** **were damaged and the growing season ended three weeks early.**

Gates is poised to secure top CIA post

By **Lionel Barber**

MR Robert Gates appeared yesterday to be heading for ***confirmation as the next*** **director of the Central Intelligence Agency, after a gruelling six-month wait for the post he has coveted throughout his career.**

Despite initial reservations among many Democrats, Mr Gates seems to have convinced a comfortable majority of the US Senate that he is best qualified to reshape the CIA in an age where the Soviet Union is no longer "public enemy number one".

If confirmed, the appointment would be a triumph for President George Bush, who has supported Mr Gates in the face of criticism about his role in the Iran-Contra arms-for-hostages scandal and charges that he manipulated intelligence to support anti-communist policies during the 1980s.

Mr Gates, 47, is a career intelligence officer who rose to the post of deputy director under Mr William Casey, the buccaneering head of the agency in the Reagan administration. He was to succeed Mr Casey in 1987, but withdrew his nomination after criticism about his possible role in the Iran-Contra scandal.

Mr Gates disarmed his opponents in the initial stages of *the Senate intelligence* committee hearings by offering an apology for not being vigilant during the Iran-Contra affair and by promising to work with the congressional oversight committees.

Iran-Contra, which was supposed to give Mr Gates the most trouble, did not prove too great an obstacle. Nor were senators interested in following up questions by Senator Bill Bradley, the New Jersey Democrat, about the CIA's passing of sensitive intelligence to Iraq during the 1980s as part of a pro-Baghdad tilt.

Instead, the highlights of the hearings were charges by current and former CIA analysts that Mr Gates tailored intelligence estimates about the Soviet Union to support President Reagan's hard-line policies. Although troubled by the testimony, most senators appear to have given Mr Gates the benefit of the doubt.

Senate race will offer clue to economic fears

By **Lionel Barber** in Washington

AMERICANS went to the polls yesterday, offering a snapshot of voters' anxiety about the economy and frustration with Washington DC a year before the presidential election.

The focus was on Pennsylvania, where Mr Harris Wofford, a Democratic underdog, has turned the race for the vacant US Senate seat into a referendum on the Bush administration. A win for the Democrats in the blue-collar state would be *a heavy defeat for Mr Bush.*

In Washington state, voters are expected to approve one of the toughest proposals for term limits on state and federal officials, which could ignite further protest movements against incumbents elsewhere.

Voters in Washington may also approve a right-to-die measure which would enable doctors in certain cases to help end the lives of terminally ill people, without facing legal liability.

Other important races include the gubernatorial contests in Mississippi and Kentucky and legislative races in New Jersey and Virginia. All should provide clues as to whether the "throw the bums out" anti-incumbent mood detected in the mid-term elections in 1990 comes into full *bloom this year.*

Polls have shown a sharp decline in public confidence over prospects for economic recovery and the Bush administration's handling of the economy.

The result in Pennsylvania could determine whether Republican pressure increases for an economic growth package of tax cuts for the middle class. Conversely, a Democratic win could tip Mr Bush toward an all-out assault on an entrenched Democratic majority in Congress.

Last week, during a $1m (£581,000) fund-raiser in Houston, Texas, Mr Bush offered a foretaste by vigorously defending himself against charges he is spending too much time on foreign policy.

"You work your heart out for new ideas, and you face the same tired liberal clichés in Washington," he said.

Republican strategists argue this message could help channel voters' anger over the stagnant economy and widespread disaffection with what former President Harry Truman called the "do nothing Congress".

Church leaders criticise Menem

By **John Barham** in Buenos Aires

ARGENTINA'S Roman Catholic hierarchy has attacked President Carlos Menem's government for its lack of sensitivity towards the poor and those suffering the effects of economic change.

On Monday Mgr Gerardo Sueldo, a spokesman for the National Episcopal Conference, accused the government and society of indifference towards "the deepening crisis in certain sectors of our community, especially among our poorer brothers".

Although Argentina's tradition-bound bishops are less progressive than most of their Latin American colleagues, they wield considerable political influence.

Senior churchmen have voiced the public's concern at government corruption. Now they are speaking out against official indifference toward the hardship affecting many.

Although Argentina's economy is growing, thousands of redundant workers cannot find new jobs. This contrasts with euphoric statements by government officials, including Mr Menem, that Argentina is well on the road to recovery.

In a characteristic reply to churchmen, Mr Menem said "only those who do not wish to work are unemployed".

Mgr Sueldo's statements appear to foreshadow greater church interest and activism in social, economic and political issues. He said Argentina faced a "cultural crisis" to which the church would respond with greater "evangelisation and solidarity".

This may not be unconnected with the growth of Protestant fundamental sects, particularly in the shanty towns around cities.

Potholes obstruct Chile's road to improved growth

Leslie Crawford on a struggle to upgrade infrastructure

Patricio Aylwin: launched four-year plan

CHILE'S infrastructure, like much of Latin America's, is crumbling. The upkeep of roads, ports and railways is a casualty of the 1980s – the "lost decade" of debt crisis and stagflation – and now the state of communications poses an obstacle to resumed growth.

President Patricio Aylwin recently admitted as much when he launched his "great leap forward" in infrastructure, a four-year plan committing $2.35bn (£1.36bn), about 9 per cent of GDP, to public works. "The critical state of our infrastructure will thwart economic progress unless it is improved quickly and with resolve," he said.

The problem is how to deal effectively with the multitude of ailments:

● Delays at congested ports are costly to Chilean exporters. Exports have almost trebled in value in the past 10 years, but Valparaiso and San Antonio, the country's principal ports, were badly damaged by the 1985 earthquake. The docks that collapsed have not been repaired.

● The loss-making state railway carries almost no cargo and is only of interest to passengers *who wish to make* a nostalgic journey in 1930s carriages (complete with mahogany panelling and art-deco lighting). The railway would be the obvious choice of transport for the $800m-a-year timber and cellulose export industry and the country's equally valuable fruit exports.

● Most cargo is transported on a road network collapsing under the strain; only half of Chile's 23,000km of roads are paved.

● Santiago's 5m people are without a single sewage treatment plant. The untreated effluent flows into the River Mapocho and thence into a myriad of channels irrigating the vegetable gardens surrounding the capital. It is unsafe to eat lettuce or strawberries, unless they are soaked in chlorine.

Diagnosing these ills is easier than curing them.

President Aylwin's "grand plan", announced in September with considerable publicity, has disappeared into the entrails of the Ministry of Planning (Mideplan) and has yet to emerge as a well-structured programme of specific projects, priorities and deadlines.

Meanwhile, economists have been taking a hard look at the figures. The Ministry of Public Works, which is to execute most of the plan, had a $270m budget for the programme this year; $318m has been earmarked for 1992, leaving $1.76bn for 1993 and 1994.

"The programme is lopsided," says Mr Felipe Morande, an economic consultant to Congress. "I cannot see the government spending all that money in the final two years."

For once it is not a lack of *funds that will retard* progress, but a possible lack of manpower. Mr Alfredo Schmidt, president of the Construction Industry Chamber, believes the Ministry of Public Works will need more staff and resources to sort out the hundreds of planned projects, put them to tender and *monitor* their progress.

Chile has passed legislation allowing private companies to finance, build and run public services. The aim is to entice the private sector through secure returns in the form of road tolls and freight charges in privately-built ports. Pending legislation would also partially privatise rail cargo and passenger services.

But companies have been slow to bite. The Construction Industry Chamber estimates it will be involved in less than 7 per cent of the $2.35bn "grand plan". Construction companies are happy with the status quo, where they bid for the building work but leave the financing and running of the finished project to government.

"This is the grey zone where the love of the free market begins to waver," Mr Morande said.

A case in point is the tug-of-war over Santiago's badly needed third Metro line.

France has offered a $200m soft loan, to be repaid over 30 years with 10-years' grace, if the construction contract is awarded to a French consortium. The Chilean government wants the successful bidder to finance and run the line as a private company while the French want local authorities to take on the cost and the risk of the venture.

As the discussions continue to delay the project, many of Santiago's potential Metro passengers continue to choke under a dense cloud of smog.

GM puts further DM100m into its Hungary venture

By Nicholas Denton in Budapest

GENERAL MOTORS yesterday deepened its commitment to carmaking in eastern Europe with the announcement of further investment in its Hungarian plant.

Taking total planned investment to over DM350m (£120m), the US multinational intends to spend an extra DM100m on engine production at Szentgotthard, near the Austrian border. GM has a 67 per cent stake and management control in the venture, which is in partnership with Raba, a Hungarian maker of trucks, diesel engines and tractors, and the Hungarian government.

The expansion allows production of 1.4-litre as well as 1.6-litre Opel engines and provides for increasing capacity from an initial 210,000 units a year. The investment in Hungary is part of GM Europe's drive to increase its total engine capacity by 25 per cent. The facility is designed to allow capacity to be doubled to over 400,000. Szentgotthard will be GM's most modern engine plant in Europe when, it is hoped, it begins output in seven months.

"We were initially a bit hesitant about bringing high technology to Hungary but we're very pleased with how things are going," Mr Robert Eaton, president of GM Europe, said yesterday.

GM's ability to recruit an "outstanding workforce" and a "good working relationship with the government" lay behind the decision to boost investment in Hungary. The government has given generous financial and infrastructural support. "I have no more worries about our Hungarian operation than I do about any western plant," he said.

GM also plans to make Opel cars for the Hungarian market at its Szentgotthard plant. Initial capacity is 15,000 and could rise to over 40,000 when three-shift working is introduced.

But while engine demand in Europe is strong, sales of Opel cars in Hungary have been disappointing to GM. The company's Hungarian dealers sold about 2,000 Opels in the first 10 months in the face of local recession and competition from used car imports.

Car components makers have been at the forefront of western investment in eastern Europe. They stand to take advantage of cheap skilled labour and tap frustrated demand for western cars.

Mr Eaton said he expected the Polish government to decide on a proposed assembly venture with the state-owned FSO group in a few weeks. GM is bidding in competition with France's Citroen.

GM is also establishing a facility in the former East Germany.

UT Automotive, part of the United Technologies group of the US, plans to open its Hungarian plant making electrical wire components for cars today.

Suzuki and Ford are also setting up manufacturing facilities in Hungary. Suzuki plans to spend Y32bn (£142m) on a joint venture to assemble up to 80,000 Swift cars a year. Suzuki holds a 40 per cent stake in the venture and C. Itoh, the Japanese trading company, a further 11 per cent. Ford plans an investment of $80m in a wholly-owned plant in Szekesfehervar to make ignitions.

The GM announcement also boosts Hungary's efforts to attract western capital. Foreign direct investment has already exceeded $1bn so far this year and the number of joint ventures has grown to over 9,000. Hungary claims to be the recipient of more than half of all western investment in eastern Europe.

UK to sign £700m credit accord with Kuwait

By Anthony McDermott

BRITAIN is to sign a "framework credit agreement" with Kuwait in the next week, Mr Tim Sainsbury, UK trade minister, said yesterday.

The medium-term credit cover involved, for about £700m, is to be managed by the ECGD, and should be welcome backing for UK companies in winning contracts for the $20bn (£11.6bn) effort to rebuild Kuwait after Iraq's 1990 invasion.

Mr Sainsbury was just back from a visit to Kuwait and Bahrain, where he attended the Rebuild Kuwait 91 Exhibition.

He said that since Kuwait's liberation in February, UK companies had won deals worth over £480m - 30 per cent of the number of contracts on offer.

Building contracts were not as substantial as first thought, but many re-supplying orders were available in telecommunications, electronic equipment and vehicles. This restocking could take 3-5 years.

Kuwait's buying power would also rise. Kuwaiti officials said oil output would reach 400,000 b/d by year-end, 800,000-1m b/d by mid-1992, rising to 1.5m b/d by year-end.

Apple appeals on 'dumping'

APPLE Computer has filed an appeal with the Court of International Trade in Washington against dumping duties imposed on Japanese-built flat panel computer displays by the International Trade Commission last August, Louise Kehoe reports from San Francisco.

The ITC decision to charge dumping duties of almost 63 per cent on high-resolution active matrix flat panel displays has caused serious problems for Apple and other US makers of portable personal computers. To avoid the penalty duties, Apple has had to shift production of its highest-performance notebook computer product to its Cork, Ireland, plant. Compaq Computer is making its latest portable computer in Scotland to beat the duties.

Apple and other US computer makers opposed to the dumping duties claim there are no viable US suppliers of "active matrix displays" and they were therefore dependent on Japanese suppliers. But the ITC determined Japanese dumping of the displays had caused material injury to US flat-panel display makers.

"We feel strongly that the finding of material injury in the ITC decision is factually incorrect and not supported by substantial evidence," said Mr James Burger, Apple's manager of government law. "There can be no injury when there is no viable US display industry to injure. The reality is simple: there are currently no US flat panel display manufacturers that can possibly supply this critical component in the quality and quantity necessary," said Mr Burger.

Japanese groups near HDTV chip agreement

By Steven Butler in Tokyo

THREE of Japan's biggest electronics companies, NEC, Matsushita Electric Industrial, and Mitsubishi Electric, expect to reach agreement by year's end to develop semiconductors jointly for high-definition TV, they said yesterday.

The three are also talking to US semiconductor companies and expect at least one from the US will join the venture. It would develop a set of chips to decode Japanese MUSE-standard HDTV satellite transmissions in TV sets with the aim of putting HDTV equipment quickly within reach of ordinary consumers. Japan's broadcasts of HDTV, the world's first, will expand this month to eight hours a day.

The tie with US companies would be important in bringing US makers in at the start of a developing industry and would help to satisfy US pressure to increase the sales of US companies in Japan. Texas Instruments of the US recently reached a similar agreement with Hitachi, Sony, and Fujitsu. LSI Logic is also co-operating with Sanyo to develop a semiconductor chip set for HDTV.

German companies meet a new trading nation

THE Eastern Board of German Industry recently introduced its members to a new trading nation at a conference in Leipzig. Leslie Colitt reports from Berlin.

German companies have long exported to the Ukraine, which made up about one-quarter of total German-Soviet trade But until recently the contacts with Kiev were all via Moscow. Ukrainian independence meant talks were now being conducted directly with Ukrainian companies. Starting on January 1, financial transactions will be processed through the new Ukrainian National Bank. German trade with the Ukraine has suffered less than the 40 per cent slide in German-Soviet trade this year. But times are tough for companies dealing with any part of the former Soviet Union.

This is especially so for east German companies which exported a large part of their machinery and equipment to the Soviet market. Mr Frank-Detlef Wende, general manager of the SKET engineering company in Magdeburg, annually sold 400m (East) Marks-worth of steel rolling mills to the Soviet Union. Nearly 100m Marks-worth was delivered to Ukrainian companies but was bought through Moscow.

Mr Wende's "historic moment" in doing business with the Soviet Union came recently when he signed a DM240m (£82.7m) contract directly with a Ukrainian company. Some DM125m of the amount was for barter and compensation trade, to avoid a critical hard-currency shortage in Kiev. In principle, the Eastern Board was not too enthusiastic about such non-currency trade, arguing it merely added to the overall price of the product.

Umformtechnik company in Erfurt, which delivered giant presses and die-casting machines to car and truck companies in the Ukraine, said the company wanted to let the Ukrainians buy from it in their own currency.

ASEA Brown Boveri of Mannheim, west Germany, is well into negotiations with the Ukraine on large investments. The company signed a memorandum of understanding with Kiev on setting up joint ventures for power generation projects, including the conversion of nuclear power stations to fossil fuels. If the memorandum is turned into solid contracts, they would be worth "billions" of D-Marks, it said.

Ukrainian economics and banking officials said the Ukraine was preparing a law which would permit western companies freely to buy and sell commercial property. But they were especially eager to find out what the Ukraine intended to do about its share of the $68bn (£39.5bn) Soviet foreign debt.

Suzuki shares in 'mini car' plan for sale in Europe

By John Griffiths

VOLKSWAGEN, its Spanish subsidiary SEAT, and Suzuki, the Japanese small-vehicle specialist, have agreed to study joint development of a "mini car" to be produced and marketed, mainly in Europe, by SEAT.

The companies said last night it was "too early" to say what form the collaboration might take. They hoped to reach a decision on whether actually to proceed with the vehicle by May or June next year.

A spokesman for SEAT refused to confirm or deny speculation that the project would be aimed at providing a successor to the Marbela, Seat's smallest existing car, which is based on the Panda model of its former partner, Fiat.

Under the strategy for SEAT developed following its take-over by Volkswagen in the mid-1980s, SEAT is scheduled to launch a new model every year, with the Marbela due for replacement during 1995. Currently, it is being produced at a rate of 100,000 units a year.

The Marbela also uses engines of an ageing design built by SEAT under licence from Fiat, including units of well under one litre.

A particularly strong point in favour of SEAT collaborating with Suzuki is the latter's expertise in sophisticated small-capacity engines. It is one of Japan's leading makers of minicars with engine capacities as small as 600 cu cms.

Suzuki itself is already well established in Spain. It now effectively controls the Land Rover Santana operation in Spain, as a result of Land Rover of the UK's disposal of its 23 per cent stake in the company last year.

Santana builds both the SJ and Vitara leisure four-wheel-drive vehicles, as well as a version of the Land Rover.

Suzuki's operations in Europe are already being expanded through a recently-signed joint venture with a Hungarian consortium to assemble 1.0 and 1.3-litre five-door Swift cars.

A new factory is to begin production at Esztergom, north of Budapest, next year at the rate of 15,000 cars a year, rising to 40,000 in its second year and 50,000 in its third. The long-term aim is to build 100,000 cars a year.

However, Suzuki has also made clear it still hopes to set up its own separate car production facility in western Europe.

US companies join forces for Japanese mail-order project

By Barbara Durr in Chicago

RR Donnelley & Sons, the world's largest printer of directories, catalogues, magazines, books, and computer documents, has launched a novel programme for direct marketing in Japan.

Twelve of Donnelley's catalogue customers, including LL Bean, Lands' End, Tweeds, and Sheplers, have joined to sell to the Japanese by direct mail order.

The Chicago-based Donnelley, whose Japanese subsidiary has been preparing for this move for five years, believes it can help crack the tough Japanese consumer market for US products. It believes there is a hunger for Americanproducts in Japan, the world's second largest consumer market.

The company sent out an initial 50,000 full colour brochures offering the 12 catalogues on October 15. So far, response is running about 50 per cent above expectations, said Mr Jack Haney, in charge of the Donnelley programme.

The company said Japanese consumers' reluctance to send their orders and money abroad had been a barrier to US direct marketing, but it would solve this problem by becoming a clearing house for the orders in Japan. After receiving an order, it will fax it directly to the catalogue merchant, which will then send the goods by air courier to Japan.

Mr Haney expects orders for such items as LL Bean's polo shirts or Sheplers cowboy boots to be filled in eight days, faster than within the US.

Mail order now accounts for only 1.3 per cent of all retail purchases in Japan, but direct marketing has been growing recently at about 15 to 20 per cent a year.

Although some catalogue merchants have tried the Japanese market on their own, without much success, Donnelley says its co-operative programme will allow marketers to test the waters without making big financial commitments. The company plans mailings to 500,000 Japanese households in early 1992, which will feature more catalogues.

UK NEWS

Accidental press release indicates sharp rise in expenditure

Home Office discloses 11% spending increase

By Peter Norman, Economics Correspondent

THE Home Office yesterday jumped the gun on today's Autumn Statement by disclosing that its spending on law and order would increase by 11 per cent to £5.98bn in the coming financial year from £5.39bn earmarked for 1991-92.

The news – released by mistake to journalists in parliament – conjured up a picture of sharp increases in public spending next year and threatened to upset the Treasury's efforts to portray the government's spending plans for 1992-93 as a prudent response to economic conditions.

Compared with already published plans for 1992-93, Mr Kenneth Baker, the home secretary, has won an increase of £360m, or 6.4 per cent, in his budget.


Baker: gets budget increase

Mr Norman Lamont, the chancellor, will today disclose that the government will exceed the 1992-93 public expenditure planning total of £221bn that was announced at the time of the budget. But the total increase will be far less in percentage terms than that secured by the home secretary and Mr Lamont will stress that much of it has been caused by the recession .

It had been expected that Mr Lamont would have to increase next year's planning total, which does not include government debt interest or self financed-local government expenditure, by £6bn to £7bn. Yesterday, however, there were indications that the chancellor might keep the increase to below £6bn.

Mr Lamont has been forced to raise public spending next year to cover the costs of higher than anticipated unemployment and other recession-induced social costs. Mr William Waldegrave, health secretary, is thought to have won an increase of around £1.5bn to the £26.5bn already budgeted for health in 1992-93.

Yesterday's disclosure from Mr Baker's department is a sign that the Treasury has made other concessions on discretionary expenditure where the government stands to gain politically.

In a spending package designed to attract the "law and order" vote, the Home Office will:

- deploy 1,000 more police officers;
- strengthen the immigration service to deal with record numbers of asylum-seekers;
- tighten jail security and ending "slopping out" in prisons;
- improve the criminal justice system following miscarriages of justice and;
- make extra funds available for victim support and marriage guidance.

It is also thought that Mr Michael Howard, employment secretary, has been able to safeguard his plans to spend more on training from Treasury cuts.

Repossessed homes will be rented to homeless

By John Willman, Public Policy Editor

HOMES repossessed by mortgage lenders are to be let to the homeless under a scheme announced yesterday by Sir George Young, housing minister, and the Council of Mortgage Lenders (CML).

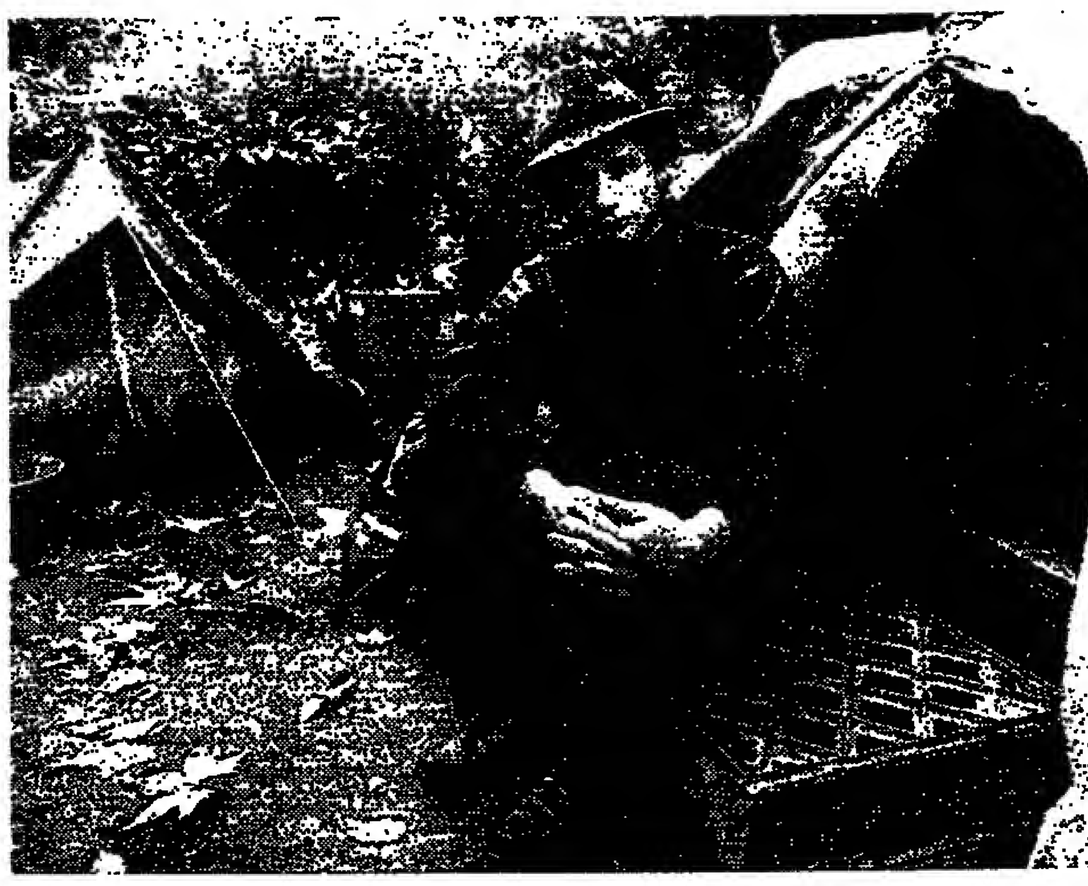
Lenders will make empty repossessed homes available to housing associations for letting to homeless families nominated by local authorities. The details will be for individual lenders and associations to work out, but it is expected that lettings will last between one and three years.

The costs of administration – including insurance against damage by tenants – will be recovered from the rent by the housing associations.

The balance of rental income will be passed to the mortgage lender to reduce the losses incurred by lenders, mortgage insurers and the borrowers whose homes have been repossessed.

Five pilot schemes were launched in the south-east in August, after repossessions had reached record levels. The CML put the number of repossessions at over 36,000 for the first six months of 1991, and the figure could top 100,000 by the end of the year.

Mr Mark Boléat, director-general of the CML, said that the new scheme would assist the recovery of the housing market as well as providing temporary housing for the homeless.


This man has been homeless in London for two years: the scheme could rehouse him

"If properties can be taken off the market for between one and three years," he said, "this will speed up the recovery in the housing market and reduce overheating subsequently by the properties being fed back into the market."

The use of empty properties to house homeless people was welcomed by Shelter, the campaign for the homeless.

But Ms Sheila McKechnie, director of Shelter, said that the scheme offered nothing to the record number of home-owners facing imminent repossession.

"We are witnessing an accelerating merry-go-round where homeless people get housed only because other people are becoming homeless," she said. "The government should concentrate on preventing people losing their homes."

The Association of London Authorities (ALA) said it had called on the government and building societies to assist home owners in mortgage difficulties to stay in their own homes.

Mr Peter Challis, ALA housing chairman, said. "The scheme announced today will not enable people in arrears to stay in their own homes. They will be made homeless and the local authority will have to pay to put them in temporary accommodation.

"This is an unnecessary and costly exercise when much expense and heartache could be avoided by helping families to remain in their own homes."

- In a separate statement, Mr Nicholas Scott, social security minister, announced plans to reduce the number of people on income support whose homes are repossessed.

People with mortgages on income support will be required to provide annual mortgage statements to the department of social security, so that mounting arrears can be picked up more quickly. When this happens, the department can pay the mortgage interest element of income support direct to the lender.

BANKING

NatWest demands new legislation on debt repayment

By Charles Batchelor

NATIONAL Westminster Bank yesterday became the first large UK financial institution to call for legislation to enforce the timely payment of debts – though only as a last resort.

Lord Alexander, NatWest chairman, said the problem could be helped by small businesses improving credit control techniques. "But this may need reinforcement, either through a widely accepted code of practice. . .or, in the last resort, through legislation."

He said that in many other European countries measures were in force, including a statutory right to interest, to discourage late payment. NatWest will commission a comparison of payment legislation across Europe.

Lord Alexander's comments coincided with the publication of a NatWest survey of late payments showing that 50 per cent of companies giving trade credit were not paid on time, while two-thirds said the situation was worse than 12 months ago.

NatWest branch managers believed that late payments had recently become a significant factor in the demand for bank finance, the bank said.

"The importance of the issue now suggests that voluntary initiatives...may require further legislative reinforcement," the bank added.

Small business organisations have campaigned for the past six years for a change in the law to give small businesses the automatic right to charge interest on overdue debts.

But the government has refused saying that legislation would be difficult to frame with precision and would increase the burden of red tape.

Midland launches 11 venture capital funds

By Charles Batchelor

A NATIONWIDE network of 11 venture capital funds to supply small amounts of equity funding to unquoted companies is to be launched today.

Midland Bank has co-ordinated the creation of 11 regional funds which plan to raise a total of £55m to invest mainly in established companies but also in start-ups.

Half the funds have been promised by investors, including £7m from Midland itself. The bank hopes to complete fund-raising by next March, said Mr David McMeekin, corporate finance director of Midland corporate banking.

The new Midland Enterprise Funds represent the most ambitious attempt to solve the problem of shortages of small amounts of equity for many years. Most established venture capital funds find it uneconomic to provide very small amounts of equity and concentrate on financing larger deals.

The new network of funds also reflects the continued interest of the large UK banks to establish a presence in the market for equity, as opposed to loan finance, for small businesses. Barclays and National Westminster already have modest programmes to provide equity to small firms.

Union calls in financial consultants

By David Goodhart

THE TGWU general workers union, Britain's largest, expected to lose nearly £1m a month next year, has become one of the first big trade unions to call in a management consultancy to help sort out its acute financial difficulties.

The company, Klein & Co, is headed by Dr Adam Klein, a former general secretary of the Garment Workers Union of South Africa, who since being exiled in 1976 has set up a successful consultancy business used by many US unions.

Yesterday's special executive of the TGWU, called to review the financial crisis, unanimously approved the appointment of Klein & Co which has a brief to review all aspects of the union.

Mr Bill Morris, the TGWU general secretary elect, said there was "no crisis" and pointed out the union was rich in investment and property assets, together valued at more than £60m. However he did admit that a more "dynamic" and professional approach was required if the union was to be returned to health and announced the creation of a "futures committee" of the union to review that process.

Building societies to merge

By David Barchard

WOOLWICH, the fourth largest UK building society with assets of £16.2bn, yesterday confirmed that it had agreed to take over Town & Country.

The merger is understood to have been requested by the industry watchdog, the Building Societies Commission, at the weekend after monthly figures showed a sharp increase in loan losses by Town & Country, which has assets of £2.2bn.

Woolwich said the merger would depend on the outcome of a full investigation.

The merger will restore Woolwich to the third place in the building society league table. Earlier this year it was overtaken by Alliance & Leicester.

Mr Donald Kirkham, Woolwich chief executive, said the capital reserves of the Town & Country were strong enough to ensure that Woolwich's financial strength would not be weakened by the merger. No details were given of any payment to Town & Country's members, the legal owners of the society, who must now approve the transfer of the society's assets to Woolwich.

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Major plans to boost European voluntary sector

By Alan Pike, Social Affairs Correspondent

THE government is considering making the development of the European voluntary sector – covering charitable donations and volunteer work – a "significant part" of Britain's EC presidency next year, Mr John Major, prime minister, said yesterday.

Mr Major told the Charities Aid Foundation conference in London the government was committed to the growth of the sector. His speech coincided with the publication of the Charities Bill.

Britain's voluntary sector is large by any standards – the government's estimates put its turnover at £17bn, making it larger than agriculture.

Mr Major told the conference charities should not be seen as the sticking plaster on the welfare state, but as part of the cement that binds society together.

During the 1990s he wanted to see voluntary bodies established more fully as an independent force in society.

The Charities Bill would provide a statutory framework for proper management and public accountability.

The bill has four main themes: it will improve the Charity Commissioners' ability to obtain information about the administration of specific charities; strengthen the commissioners' powers to attack abuses; reinforce the responsibilities of charity trustees and exert controls over professional fund-raisers.

Britain's 170,000 registered charities will be required, once the bill is law, to submit accounts to the commissioners in a form prescribed by the government – the requirements will be broadly similar to those applying to companies.

It will become an offence for professional fund-raisers or commercial organisations to raise money in a charity's name without its agreement, and the government will be able to specify the minimum standards of agreements. There have been some examples of professional fund-raisers retaining as fees the bulk of money raised by appeals. Charities will have a new right to seek injunctions preventing unauthorised fund-raising on their behalf.

Voluntary sector leaders welcome the bill, which they believe will help bring all charities into line with established standards in the best run ones.

Major: 'charities should not be seen as sticking plaster'

Nippon cuts intensify computer price war

By Emma Tucker

NIPPON Steel Computers, which entered the UK market earlier this year, yesterday announced large price cuts on its PC models, further intensifying the price war in consumer electronics.

The cuts, which are up to 45 per cent, follow an announcement by Toshiba on Monday that it was cutting prices of its portable PCs.

Mr Mike Lunch, general manager of Information Processing Systems Division at Toshiba said the move was a defensive one to protect the company's market share.

Last month Philips, the Dutch electronics group, blamed the price war industry for a 10 per cent decline in operating profit for the third quarter.

Mr Henk Appelo, Philip's group finance director, said he had never seen price wars on such a scale before.

Part of the price war in PCs was cosmetic, according to Mr Lunch. He said an element of Toshiba's price reduction was to bring manufacturers' recommended retail prices down to the level of actual sale prices.

"For many years, the recommended retail price quoted by PC manufacturers has born little resemblance to the price which end users could actually expect to pay," he said.

Compaq, the US personal computer manufacturer, reduced its recommended prices in September. Mr Lunch said other factors had contributed to a real price cut. The high number of new PC manufacturers entering the market had combined with the recession to create a substantial excess of supply over demand.

● Copam, a leading Taiwanese personal computer manufacturer, is planning shortly to open a manufacturing operation in the UK, writes Alan Cane.

Mr Mike Yu, Copam's managing director, said yesterday likely sites would be the north of England or Scotland's "Silicon Glen" where there was extensive experience of computer manufacturing

Copam has about 10 per cent of the Taiwanese market.

CBI CONFERENCE

Companies 'must meet' challenge on environment

BRITISH companies risk losing out in the world's environmental protection market unless they raise the quality of their management to compete with the Germans and the Japanese, Mr Michael Heseltine, the environment secretary, told the conference, writes Michael Cassell.

Mr Heseltine said the government intended to set a robust framework of environmental policy and regulation to help spread high environmental standards but he said he was concerned about the attitude of many British companies towards the issue.

He warned that if they did not deliver "the greener choices" and higher environmental standards the public required, other nation's companies would step in.

Mr Heseltine quoted a recent British Institute of Management survey which showed that more than half its member companies did not have a statement of environmental policy. Two-thirds had not appointed anyone with specific responsibility for environmental matters and less than one-quarter carried out any kind of environmental audit.

He warned companies that the price of failing to meet the environmental challenge would be failure to raise institutional or banking finance or to win the support of public authorities. Neither would consumers purchase their goods.

He welcomed the CBI's announcement yesterday that it is to launch in December the Environment Business Forum, which will be open to all companies and which will form a national focal point for environmental issues.

Eurotunnel chief demands tax on transport pollution

By Charles Leadbeater, Industrial Editor

THE government should introduce a tax on transport pollution to create a £25bn transport investment fund, Sir Alastair Morton, chief executive of Eurotunnel, the Channel Tunnel group, said yesterday.

Sir Alastair combined his radical proposal for a targetted transport pollution tax, which would finance infrastructure projects, with an outspoken attack on the government's approach to large investment projects.

He told the CBI conference: "The Treasury's monstrous ideology on infrastructure investment is ready to crumble and be replaced."

Sir Alastair accused the Treasury of having no concept of investment and refusing to explore innovative ways of combining public and private funding for infrastructure projects.

He proposed a special temporary levy, partially replacing other taxes, to raise £4bn a year for five years to transport infrastructure projects. The levy and the fund would be dedicated to transport investment and would be controlled by a private board independent of the Treasury.

The fund would be invested in partnership with money raised on international capital markets for projects to improve transport links with the continent.

The tax would be paid on vehicles and transport facilities, such as motorways, according to an index of the environmental impact of vehicles on emissions into the atmosphere, noise, casualties to people and land use.

The Eurotunnel chief executive outlined financing for the new projects using private sector equity, loan capital provided by the investment fund and secured bank loans. It should be administered by "modern financial engineers" rather than government officials, he added.

Sir Alastair backed his call for a special fund with a renewed attack on the government's recent decision to delay the construction of a high-speed rail link to the Channel tunnel until the next century. His criticism was echoed by other conference speakers.

Editorial Comment, Page 16

Morton: radical proposal

Employers seek detail on reforms

THE government's environmental reforms are throwing up serious teething problems for companies, said Mr Chris Hampson, chairman of the CBI's environmental committee, writes Charles Leadbeater.

Mr Hampson, a director of ICI, the chemical company, warned that companies still lacked important details about the government's plans to introduce integrated pollution control covering more than 6,000 industrial processes over the next five years.

"But more guidance needs to be available on the environmental standards required," he said.

Mr Hampson was opening a wide ranging debate on energy use, the environment, land use planning and transport. It followed an address from Mr David Bellamy, the conservationist, who urged executives to take radical action to reduce energy consumption.

He cautioned companies to keep a close eye on the growing role of local authorities in assessing whether to award companies air pollution licenses.

Mr Hampson said business welcomed the government's attempts to create a coherent legal framework for environmental protection. It did not rule out the introduction of tax measures to promote environmentally responsible forms of consumption but would prefer a single environmental protection agency rather than the plethora of bodies which have been created over the past two years.

Mr Christopher Harding, chairman of BNFL, the nuclear fuel company predicted that the government's 1994 review of the future of the nuclear power industry would find it was cost-effective compared to fossil fuel power stations which would have to bear the cost of environmental improvements.

BRITAIN IN BRIEF

Pay cuts rise threefold in last quarter

The incidence of pay cuts and freezes increased three-fold in the quarter to the end of September according to an analysis of 50 employee groups in the private sector by Industrial Relations Services.

IRS warned the increase, from 4 per cent of all deals at the end of March and July to 12 per cent at the end of September, must be "kept in perspective" and points out that a similar number of bargaining groups have agreed rises of 8.5 per cent or more.

The median pay rise in the quarter to the end of September fell only slightly from 6.5 per cent to 6.4 per cent. But the number of bargaining groups settling for a lower annual rise than last year continues to be overwhelming, with only 4 per cent improving on last year's deal.

Global phone service launched

National Network, which provides a telephone service using the Post Office's internal communications network, has launched an international telephone service in competition with BT and Mercury Communications.

The company said that its prices for international calls would be about 15 per cent below Mercury's and 30 per cent below BT's. National Network is the latest, and most significant, of a new breed of "resellers" which have entered the UK's international telephone market since it was liberalised by the government earlier this year. The resellers do not have their own physical network but, instead, lease capacity in bulk from the established operators and then resell it to customers.

Data points to rise in activity

Economic activity will turn up in the last quarter of the year in line with official forecasts of a second-half recovery, according to the government's cyclical indicators. The indices are the last economic data released before the Autumn Statement on economic prospects and public spending for 1992-93 is announced today.

The figures tend to move erratically being based on quarterly data. The longer leading indicator, pinpointing turning points about 10 months in advance, rose 1.3 per cent in October.

Walking tall: earnings of barristers – a branch of the legal profession – working in commerce and industry have increased significantly more than those of industry executives over the last 10 years, a survey has found. Barristers earnings have increased 3.3 times since 1980 compared with 2.8 times for industry executives. Median earnings for barristers in industry are now £52,500 compared to £42,500 in 1989. The overall median age group is 40-44 years. Median earnings for employed women barristers are £10,000 less than men.

Funds boost for renewables

The government will spend £130m to support 122 renewable energy projects including wind farms and recycling schemes capable of producing a total of 457 megawatts of electricity by the end of 1998, it has been announced.

Renewables could produce 20 per cent of the UK's electricity demand by the year 2025, Mr Colin Moynihan, the minister said. The announcement more than triples the amount of renewable energy receiving government support through the levy on electricity consumers.

Insurer to lift bike rates

A dramatic increase in motor bike theft has forced Norwich Union (NU), the country's biggest motorcycle insurer, to stop issuing comprehensive or theft cover to riders aged 27 or younger. NU, which covers two-thirds of British motorcyclists, is increasing rates by over 130 per cent in some cases, after making losses of £13.8m in 1990. NU faces losses of £19m this year in a business which contributes about £45m in premium income.

Mr John Garner, of Norwich, said that for riders aged under 28 it was paying claims of £2 for every £1 in premium income. Theft alone cost Norwich over £20m last year. The company found younger riders were five times more likely to have their bikes stolen than riders aged over 40.

UK may accept EC compromise

The government has signalled its readiness to accept a Dutch compromise over a European Commission directive on improving maternity benefits. The directive is due to be discussed by EC employment ministers in Brussels tomorrow. Full agreement is not expected at the meeting but will probably come at a meeting early next month after which, as one UK official put it, "the whole British system may have to be reviewed".

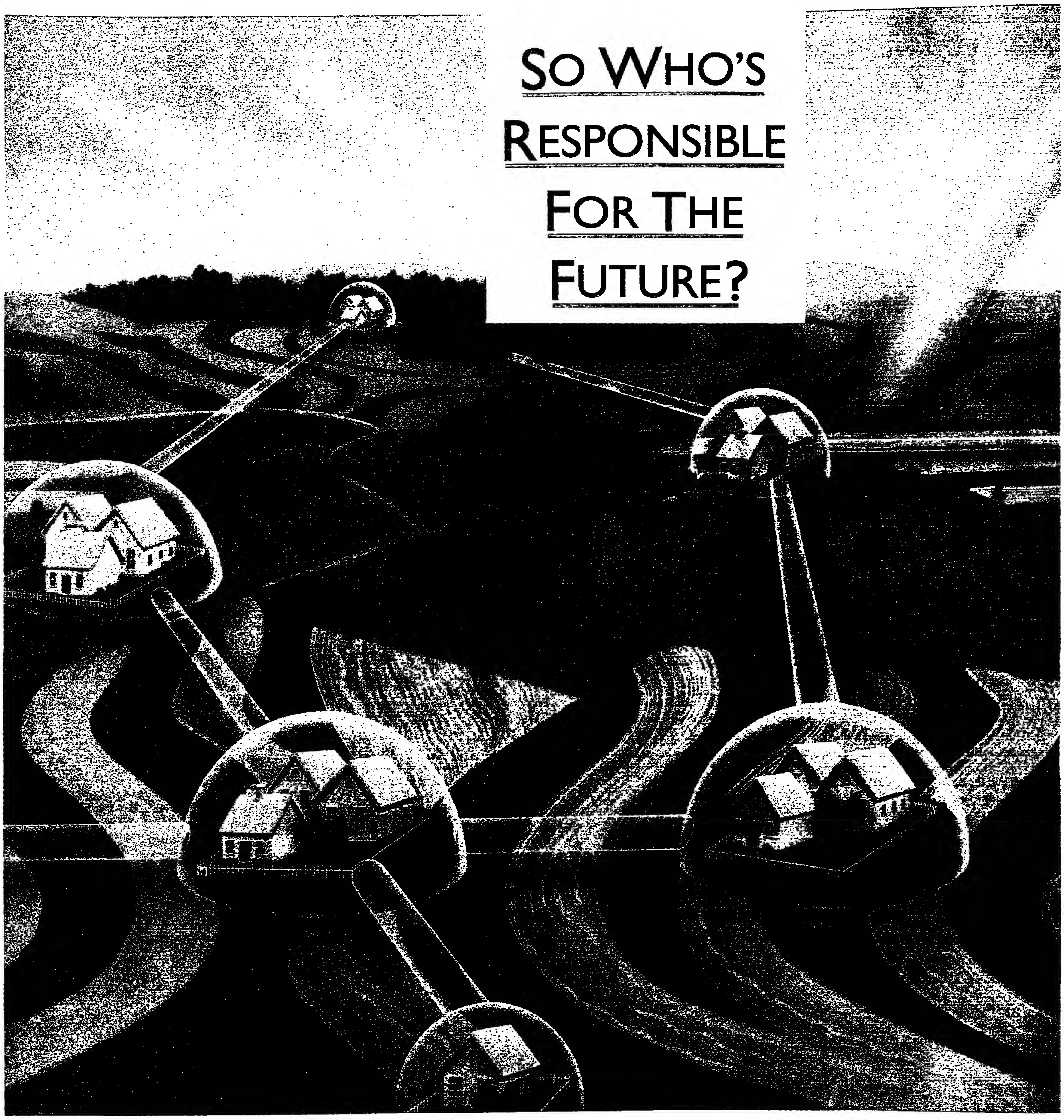
Widening of recruitment

Training and Enterprise Councils will be free to recruit non-civil servants from January 1992, rather than be obliged to recruit mainly from the Department of Employment. The decision by the Department of Employment has been provoked by a shortage of civil servants putting themselves forward for secondment to Tecs over the oast few months.

Housing market remains flat

Two building society surveys of house prices show there is still no sign of revival in the housing market. The findings by the Halifax and Nationwide building societies conflict with recent government optimism over an apparent increase during the summer in the number of starts made on new homes by builders.

SO WHO'S RESPONSIBLE FOR THE FUTURE?



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MANAGEMENT

Directors' pay

Shareholders wage war

Norma Cohen on a campaign to cap the rewards of top managers

What can be done to prevent company directors rewarding themselves handsomely for poor performance, since they determine their own pay scales?

The thorny issue of executive compensation was once again revived last week by the huge salaries paid to Ultramar's departing directors. The question is particularly vexing to institutional shareholders who are understandably unhappy about seeing a company's dwindling profits enriching those who may deserve them least.

It is not uncommon to find an unsuccessful chairman departing with a handsome package of pay, pension and stock options to console him. Ultramar's chairman, John Darby, whose company lost £21.6m in the first half of this year, walked away with £680,000 – which the company said fell short of what he was entitled to.

The Association of British Insurers, which represents many of the UK's largest fund managers, and the Bank of England-backed Institutional Shareholders Committee urge that executive compensation should be determined by a board committee dominated by non-executive directors.

Richard Reagan, executive director of the ISC, said the group urges that companies disclose the terms of top executives' contracts to shareholders – something they are not now required to do. Thus, shareholders who are unhappy with the level of executive compensation may complain to the non-executive directors. The ultimate sanction, he said, is that shareholders may vote the non-executives out of office.

However, shareholders say that even this best practice may fall short of what is needed. For instance, one shareholder said he was astounded to learn that one of the non-executive directors who resigned from Ultramar along with Darby was receiving annual compensation of $600,000.

Would such an individual then be likely to question the pay of the chairman? And even if the non-executives were modestly paid, there is no guarantee that they have the independence and the will to challenge a charismatic chairman on such a chary issue as how much he is actually worth. However, the ISC is now said to be preparing to go even further. A position paper on the rights and duties of shareholders, to be released before year end, will recommend that performance related pay and bonuses, as well as terms of contracts, be disclosed in the annual report.

That recommendation is likely to be welcomed by shareholders who are frustrated by large severance payments to directors – the extent of which are only revealed when the director departs halfway into the contract. Dick Barfield, chief investment manager at Standard Life, said: "We'd like to see a statement in the annual report describing the relevant parts of the (director's) service contract".

Shareholder groups are also preoccupied with other aspects of executive compensation. For instance, the Institutional Fund Managers Association, a trade body, is concerned about stock options – one of the most frequently used corporate goodies.

The ABI is preparing to recommend that best practice would allow directors to be eligible to stock options at a 15 per cent discount – the current level established for tax purposes by Inland Revenue for employee plans. However, at a meeting in early October, IFMA board members agreed that while such discounts may be appropriate for staff and middle management, they do not offer the proper performance incentives to directors.

Instead, IFMA would like to see options offered to directors redeemable at a price equal to face value at the time of issue. In addition, they should be prevented from exercising these for at least five years to encourage them not to sacrifice long-term growth for short-term rewards. Some shareholders also believe that a limit should be set on the duration of contracts.

Institutional shareholders concede that if executive compensation has become distorted, its partly because they raised few objections in the past. In a handful of well-publicised cases, shareholders have been able to block immoderate payments. They also say that behind the scenes, their objections have been taken on board and salaries have been adjusted accordingly.


John Darby: walked away from Ultramar with £680,000

Empire building on neutral territory

Andrew Baxter on how a US-Swedish construction equipment joint venture is working in Belgium

On the rented third floor of a nondescript office block in the Brussels suburbs, a corporate success story is quietly unfolding. Few outside the construction industry will have heard of VME Group, yet the company is proving that cross-border joint ventures can work.

VME was formed in 1985 through the merger of the construction equipment businesses of Sweden's Volvo and Clark Equipment of the US. The aim was to guarantee both businesses a future in one company, with the "critical mass" needed to survive against the industry's two giants, Caterpillar and Komatsu.

The main worry was whether VME could combine two very different cultures – a quintessentially US business which had to balance its long-term investment strategy with the short-term demands of Wall Street and a technology-driven concern that was part of a much larger, and less vulnerable, business giant. In an industry where takeovers have been frequent and cross-border marketing or distribution agreements are common, the creation of an equally-owned, free-standing company of this size was unprecedented.

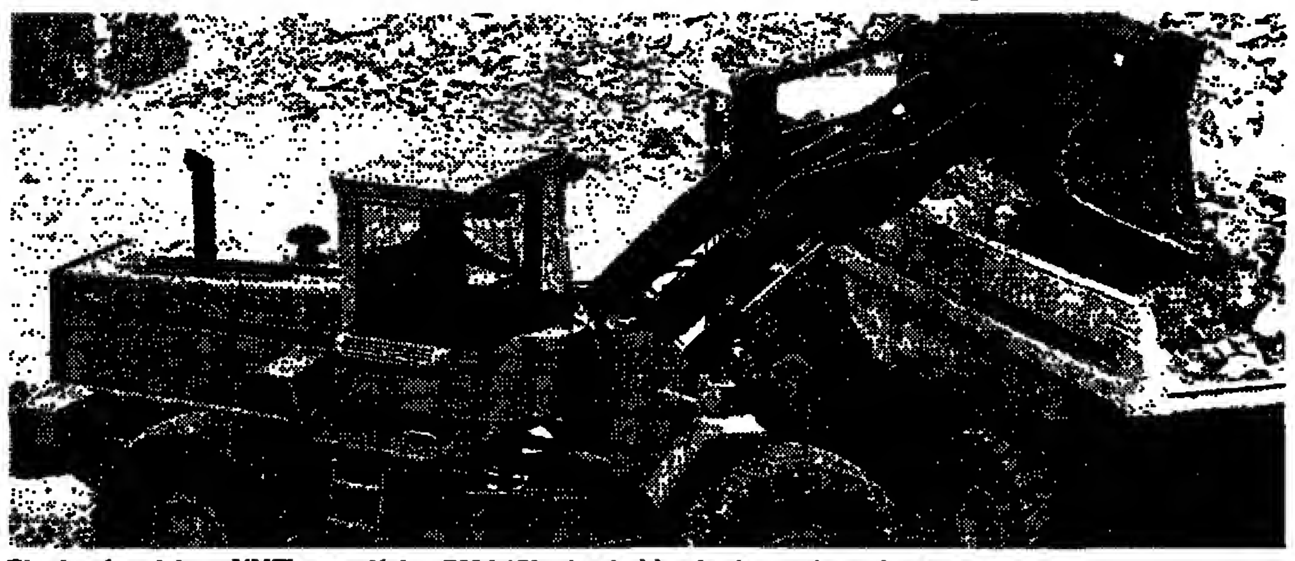
The first and perhaps most obvious lesson from VME's experience is not to be too ambitious in the early, post-merger phase. Given the overcapacity in the industry, the initial steps inevitably focused on consolidation of manufacturing and employment and considerable blood-letting at senior levels. By 1987, under the forceful former president Eric Johanson, the company was beginning to look Swedish-dominated as several key Clark executives left, seeing the writing on the wall. Painful though this process was, it was helped by the industrial logic of the deal. The Volvo BM articulated dump-trucks and medium-sized wheeled loaders complemented Clark's big Michigan wheeled loaders and Euclid rigid dump-trucks – the first letters of each product line give the initials VME.


Tuve Johannesson: outsider

It was only after the initial period of restructuring was over that the new company began talking about developing its own "VME culture". Both parent companies had agreed in 1985 that VME would eventually site its headquarters outside the US and Sweden. The decision in 1988 to move to Brussels symbolised not only the importance of the European Community to VME but also its determination to develop an identity independent of either parent. The key to achieving this, says Tuve Johannesson, VME's president and chief executive, was organisational change. Over the past two years the company's two main business units in Sweden and the US have been broken up into smaller segments, and decision-making has been decentralised.

The decentralisation reflects Johannesson's management philosophy and his appointment has emphasised VME's control of its own destiny. Previously with Tetrapak, the Swedish packaging group, he is one of the very few "outsiders" at the top of a construction equipment company.

This background makes it easier for Johannesson to deal with both shareholders on an equal basis. VME might seem at first glance to be in the pocket of the Swedish automotive group, which caters for all the joint venture's engine needs apart from those for larger machines. In fact, Johannesson points out, VME gets more parts from Clark than from Volvo and aims to be scrupulously fair in its relations with both shareholders.


Digging for victory: VME's new Volvo BM L150 wheeled loader is put through its paces

The advantages for VME of its ownership structure go beyond what Johannesson calls the simplicity of dealing with shareholders that can easily be identified, and with which he can build a strong relationship.

Harold Layman, VME's senior vice-president, points to the "luxury" of having two industrial shareholders, both of which understand "what it takes to be successful in business". In VME's case, this means taking a long-term view of its investment needs for new products and to develop new or relatively untapped markets. Despite the recession, it has no plans to cut its research and development spending from the $59m it spent in 1990.

For the two shareholders, the result of this approach is that dividends from VME cannot be a foregone conclusion. On the other hand, says Layman, it is presupposed that the value of the joint venture will rise and it is now greater than it was at the formation in 1985.

David Phillips, director of the Corporate Intelligence Group's Off-Highway Research Division, agrees. "VME is financially that much stronger. It is producing reasonable figures in a depressed market, allowing it to invest in rationalisation, new products and manufacturing efficiencies." Despite these advantages, though, VME has had to be careful in the past three years not to bite off more than it can chew, and to develop its position by assessing its priority tasks clearly.

This kind of methodical self-analysis seems to be crucial for such companies to undertake once the initial combination has been achieved.

By early 1988, VME had identified four strategic issues which it needed to address – an excessive dependence on its Swedish industrial base, a lack of industrial commitment to the EC, the lack of an excavator line, and the combined company's need for a stronger presence in the US.

All these challenges have now systematically been met. Johannesson, however, believes the country's high cost base is now "no longer an issue" for VME, which needs to manufacture in a high-technology environment and can source internationally.

In the EC, the key move was the acquisition last year of Zettelmeyer, a well-regarded German manufacturer of small wheeled loaders.

But VME also appears to have shrewdly recognised its own limits. Although it claims to be the strongest producer in Europe in terms of the distribution network for its product line, the merger has not given it the size to become a full-line producer. Even with Zettelmeyer, for example, a move into smaller products would require heavy investment in new distribution channels.

The ultimate test of the success of any such merger is financial. This year, along with its rivals, VME is suffering in the recession, but is maintaining its market shares – an indication that what was once seen as the industry's strangest animal has found its feet.

Pakistan: Economic Reforms That Make Business Sense

Today, Pakistan's economy stands liberated from many unnecessary controls. Few countries offer such excellent returns on investment. Now the door to foreign capital has been flung open. Pakistan offers perhaps the most attractive terms in the Third World for foreign investment. Which is why a growing number of multinationals, foreign banks, investment houses and enterprises are poised to benefit from the boom.

— **Denationalisation and privatisation on a massive scale;**
— **Removal of all foreign exchange restrictions;**
— **Dismantling of state capitalism.**

INVEST IN PAKISTAN, INVEST IN THE FUTURE

Emerging Economic Force In Asia

The architect of Pakistan's bold new economic policy is the country's Prime Minister, Mohammad Nawaz Sharif. In just nine months in office, Mr. Sharif has swiftly removed bureaucratic controls that thwart economic activity. The Prime Minister maintains that there are certain things a government cannot do. And one thing it cannot do successfully is run an industry.

Against an agenda of fast-moving reforms in the economic sector, Pakistan stands as a forerunner in clearing the decks for foreign investment. GDP rose by 6.5% in 1990-91. The overall GDP growth was supported by an increase in agricultural value added of 5.1%, and 6.2% in the large-scale manufacturing sector. The performance of the external sector during 1990-91 was even more encouraging. Exports recorded a phenomenal growth of 23% in dollar terms and imports grew by 9.6%.

What A Potential Investor Can Expect

- *Foreign investors can now own up to 100 percent of equity in any venture and purchase repatriable equity in any industrial enterprise.*
- *Dividends and original investment can be remitted abroad at any time.*
- *An Act of Parliament guarantees and protects all foreign investment.*
- *Foreign companies operating in Pakistan can negotiate their own terms and conditions of foreign exchange credits without a maximum ceiling.*
- *They can also determine freely the mode and level of transfer of technology.*
- *Foreign trading houses can be established freely to engage in the export trade.*

Easy Handling Of Foreign Exchange Facilitates Investment

- *Individuals and companies, resident and non-resident can maintain foreign exchange accounts. They can also have local currency loans against their foreign currency balances.*
- *Foreign currency deposits in Pakistan carry tax free interest rate ranging from 3/8 for 3-month term deposits to 1.5/8 for 3-year deposits above Barclays' rate. Deposits are encashable freely.*
- *US Dollar-denominated bearer certificates are available. They have a rate of return a quarter percent over the relevant LIBOR. The certificates can be purchased against payment in foreign exchange, by anyone residing in Pakistan or abroad.*
- *Foreign loans can be contracted by investors without government permission where no government guarantee is required.*
- *Foreign currency can be kept freely.*
- *Foreign exchange payments for a number of purposes, including foreign advertisements, education, membership of professional institutions and excess baggage, can be freely made.*

An Open Invitation To Foreign Investors

In Pakistan today, every industry, business or service enterprise is open to foreign private investment.

Foreign investors coming to Pakistan will discover that the country has the capacity to absorb technology, that it enjoys unlimited market potential, bears a stable local currency and boasts of a reservoir of highly skilled and educated manpower. Besides, the country is endowed with ample water resources, a sound agro-processing base and rich potential for growth of industries such as electronics and computer software.

Moot To Bring Investors Together

With such a multitude of investment opportunities available, the moment is ripe for matching potential investors with suitable investments. With the support of the Multilateral Investment Guarantee Agency (MIGA), a World Bank agency, the Pakistan government has organized a three-day conference in Islamabad from November 18-20. The forum will serve to bring serious overseas and Pakistani investors together to work out joint ventures and 100% equity projects.

Pakistan is a market of 114 million, the majority being below the age of thirty. It is also an unmatched supply base for the Gulf region, parts of South Asia, Iran and China. Pakistan has a sizeable money market. There are stock exchanges at Karachi and Lahore and development finance institutions which provide local currency and foreign exchange loans for industries.

Pakistan's commercial banks have a nationwide network of more than 6,000 branches. They also operate in the credit market and advance funds to industry and business. Major US, European, Middle Eastern and Far Eastern banks are functioning in all major cities. Government has allowed establishment of 10 new commercial banks in the private sector.

In respect of taxes, there is no discrimination between domestic and foreign investors. Nor do multinationals operating in Pakistan require any work permit for their managerial and technical staff.

Foreign investors have the freedom to choose their own sites for the location of industries, provided there are no environmental considerations in the way.

On offer also is a generous package of tax concessions. If the industry is located in an urban area, it enjoys a tax holiday of three years. For rural areas, the period is five years and in the less developed regions, it is eight.

Industrial machinery required in rural or less developed areas, if not manufactured in Pakistan, can be imported free of customs duty, sales tax and import surcharge.

Completely exempt also from all duty and sales tax is machinery required for units involving biotechnology, electronics, fertilizers, fibre-optics and solar energy. These industries can be located anywhere in Pakistan. Without exception, they are also allowed to enjoy a four-year tax holiday.

Barring such industries as arms and ammunition, security printing, currency and mint, high explosives or radio-active substances, government permission is not needed at all for setting up industry - any industry.

Privatisation Commission Moves Fast To Sell Off Banks, Industrial Units

The Privatisation Commission set up by the government is working tirelessly to dispose of a vast range of state-run enterprises from banks and insurance companies to textile mills, cement manufacturing plants, hotels and telecommunications facilities. Thirty of these units are already on the market, including the national telecommunications network.

Privatisation of the banking sector began with the sale of the Muslim Commercial Bank early this year, which along with several other private banks was nationalised in 1974. In early August, the Allied Bank was handed over to its employees, marking the second step in the banking sector's privatisation program.

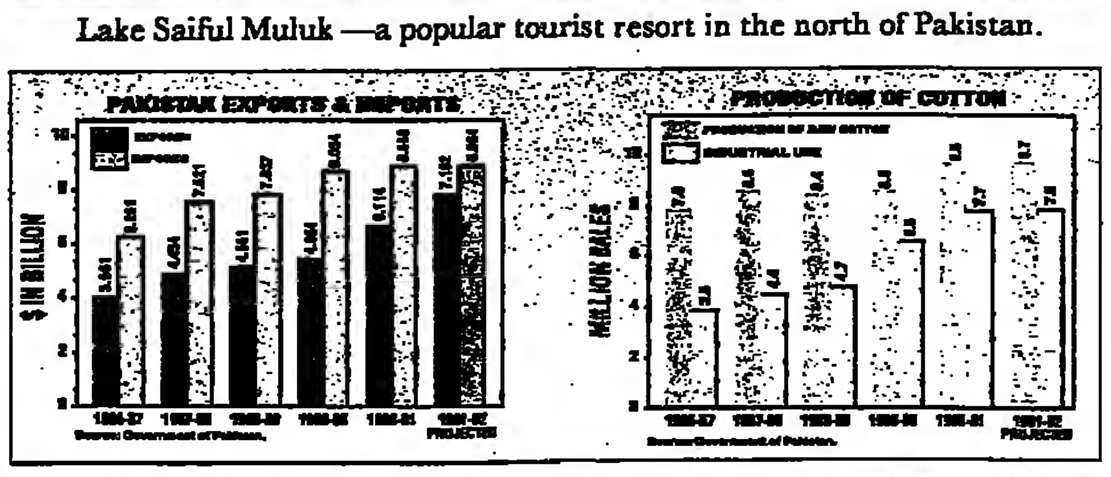
In the aviation sector, the old debate over an airline in the private sector to compete with the state-owned Pakistan International Airlines came to an end in June this year when the Paris-based Aga Khan Fund for Economic Development was chosen from a host of foreign and domestic bidders to set up an airline in Pakistan. This is without precedent in the Third World.

Nor does another major state-run organisation, the Pakistan National Shipping Corporation, any longer enjoy the total monopoly it once did. Twenty-two private shipping companies have already been granted operating licences, with the number expected to grow.

"The job of the government is to formulate policies. It is not its job to run industry, commerce or hotels."

Prime Minister Mohammad Nawaz Sharif

Lake Saiful Muluk —a popular tourist resort in the north of Pakistan.



Licences have also been issued to 19 payphone card operating companies, thus opening the telephone network to the private sector. Two cellular mobile telephone companies are working in the private sector.

Encouraging Response From Foreign Investors

The success of the government's move to open up the economy can be measured from the scale of incoming investments. Some major projects are:

- *An agreement in principle has been signed with South Korea's Daewoo Group to invest in the installation of 500,000 telephone lines on a build, lease and transfer basis and also to construct the 315-km Islamabad-Lahore highway;*
- *The 1,292 MW Hub River Project (HRP), with an estimated value of $ 1.5 billion, is to be the largest plant of its kind in the country. Along with local investors, venture partners comprise Japanese banks. The construction of HRP is scheduled to begin later this year;*
- *The $ 300-400 million hydrocracker project launched by the State Petroleum Refining and Petrochemical Corporation, has as one of its investors, the Dubai Crescent Petroleum Company.*

PAKISTAN FACT SHEET

Area	796,095 sq. km
Population	114 million (1990)
Capital	Islamabad
Places of Interest	Moenjodaro, Harappa, Taxila
Form of Government	Federal, parliamentary
International Airports	Karachi, Lahore, Islamabad, Peshawar and Quetta
Sea Ports	Karachi, Mohammad bin Qasim, Gwadar and Pasni
Roads	71,019 km
Official Language	Urdu/English
Currency	1 US $ - Rs. 24.75
GNP	US$ 42.39 billion (1990-91)
Foreign Trade	31.18% of GNP
Major Crops	Wheat, rice, cotton, sugarcane, grams
Major Industries	Textiles, fertilizer, cement, chemicals, garments, leather
Popular Sports	Cricket, squash, hockey

Exports Reach New Levels

Pakistan has declared the current fiscal 1991-92 as "Export Year". Determined to move towards self-reliance, the government has forged ahead to exploit the country's export potential in a big way by adding more to the incentive package for exporters in the trade policy announced recently. Pakistani firms have already been allowed to enter into joint ventures with foreign companies in the export trade.

Pakistan's exports have registered an increase of 23% in the year ending 30 June 1991. Export receipts have reached $ 6.1 billion now against $ 4.9 billion a year earlier. In two years' time, the aim is to boost the figure to the $ 10 billion mark.

These targets, prominent exporters say, are not beyond the reach of a country like Pakistan which "has great untapped potential". A number of tax and other benefits given to exporters in the new trade policy are being described "as a step in the right direction".

On the import side, the trade policy reflects the thrust of the government's overall liberalization and deregulatory objectives. The import regime has been further liberalised and protection is being gradually reduced to make Pakistani industry more competitive and efficient.

Pakistan attracting US investment— US Envoy

Former US ambassador to Pakistan Robert Oakley said in Islamabad on 17 August that a number of American companies had expressed keen interest in working in Pakistan as a result of the newly-introduced liberal economic and financial policies of the Mohammad Nawaz Sharif government.

Oakley was of the view that these policies, which he described as "positive", had strengthened the current international investment trend in Pakistan.

"The objective underlying the government policy of privatisation and deregulation is to create a liberal economic environment for rapid industrialisation and to accelerate the pace of economic development in the country."

Sartaj Aziz, *Minister of Finance & Economic Affairs*

For further information on foreign exchange reforms and investment opportunities in Pakistan, please contact: Deputy Secretary, Ministry of Industries, Block A, Pakistan Secretariat, Islamabad, Pakistan. Telex:5774 MIND-PK Fax:(92-51)825150 Tel.(92-51)825214

IMF Endorsement

The macro-economic policies of the government of Pakistan received a strong endorsement from the International Monetary Fund (IMF) on 21 September 1991, when it was announced at a joint press conference in Islamabad by officials of the IMF and the government that they had reached agreements on the Structural Adjustment Facility (SAF) programme as well as on Pakistan's drawals of funds from the oil 'window' of the Contingency Compensatory Financing Facility. The adjustment programme, now in its third year, was jointly negotiated by the IMF and the World Bank with the government of Pakistan.

Major Economic Indicators: Pakistan

Average Annual Rates of Increase (1980-89)

	GDP	Industry	Inflation	Exports	Imports
Pakistan	6.4%	7.3%	6.7%	8.5%	4.2%
Low and Middle Income Developing Countries	3.8%	4.5%	53.7%	5.4%	1.4%
OECD Countries	3.0%	2.2%	4.3%	4.1%	5.1%

Source: World Bank, World Development Report 1991.

	1991	1992*
Merchandise Exports $ Billion	6.1	7.2
% increase	23.0	20.0
Merchandise Imports $ Billion	8.7	8.9
% increase	9.6	2.5
Current Account Balance $ Billion	-1.8	-0.8
% of GDP	-4.0	-1.5

*Projected

Source: Government of Pakistan

"Pakistan on an international competitive scale, in terms of productivity measured by wage-adjusted output per worker and profitability measured by the operating surplus left after payment to employees and intermediate inputs, ranks amongst the highest in the region."

Pakistan—A Business Guide for Canadians by M. Groat

BUSINESS AND THE ENVIRONMENT

Towering inferno is quenched

Deborah Hargreaves speaks to Red Adair about extinguishing the last oil well fires in Kuwait

The images of burly Texan fire-fighters sheltering behind flimsy galvanised sheets to spray streams of water on the roaring fires of a Kuwait oil well were just as chilling as much of the high-tech fire power that graced our television screens during the Gulf war.

Saddam Hussein's "scorched earth" policy on his retreat from Kuwait provided the world with a glimpse of hell. The ignition of 732 oil wells in the tiny emirate was hailed as an ecological disaster the scale of which the world had never experienced.

But today the last well should be ceremoniously doused by the Emir of Kuwait – if high winds do not prevent the last two fires being extinguished. Today's ceremony ends an eight-month international effort to put out the Kuwaiti oil fires which have cost several lives and billions of dollars. The speed with which the fires have been extinguished has defied initial predictions that it would take at least two years to quench the inferno.

"I still can't believe we did it that quickly," said Red Adair, the well-known septuagenarian fire-fighter. "It was definitely the worst number I've ever seen, but I have seen meaner jobs. There wasn't much gas in with the oil which made the fires easier to control."

Adair and other leading Texan fire-fighting groups such as Boots and Coots and Wild Well Control account for a large part of the world's expertise on fighting oil fires. They have fought fires on rigs and onshore around the world. The Texans teams put out the fire on the Piper Alpha oil platform which exploded in the North Sea killing 167 men in 1988.

Jim Lebow, a fire-fighter with Wild Well Control, said the Kuwaiti experience had confirmed what many of the Texas companies have been saying for years: that oil producers need to have contingency plans in place in the event of a major well disaster.

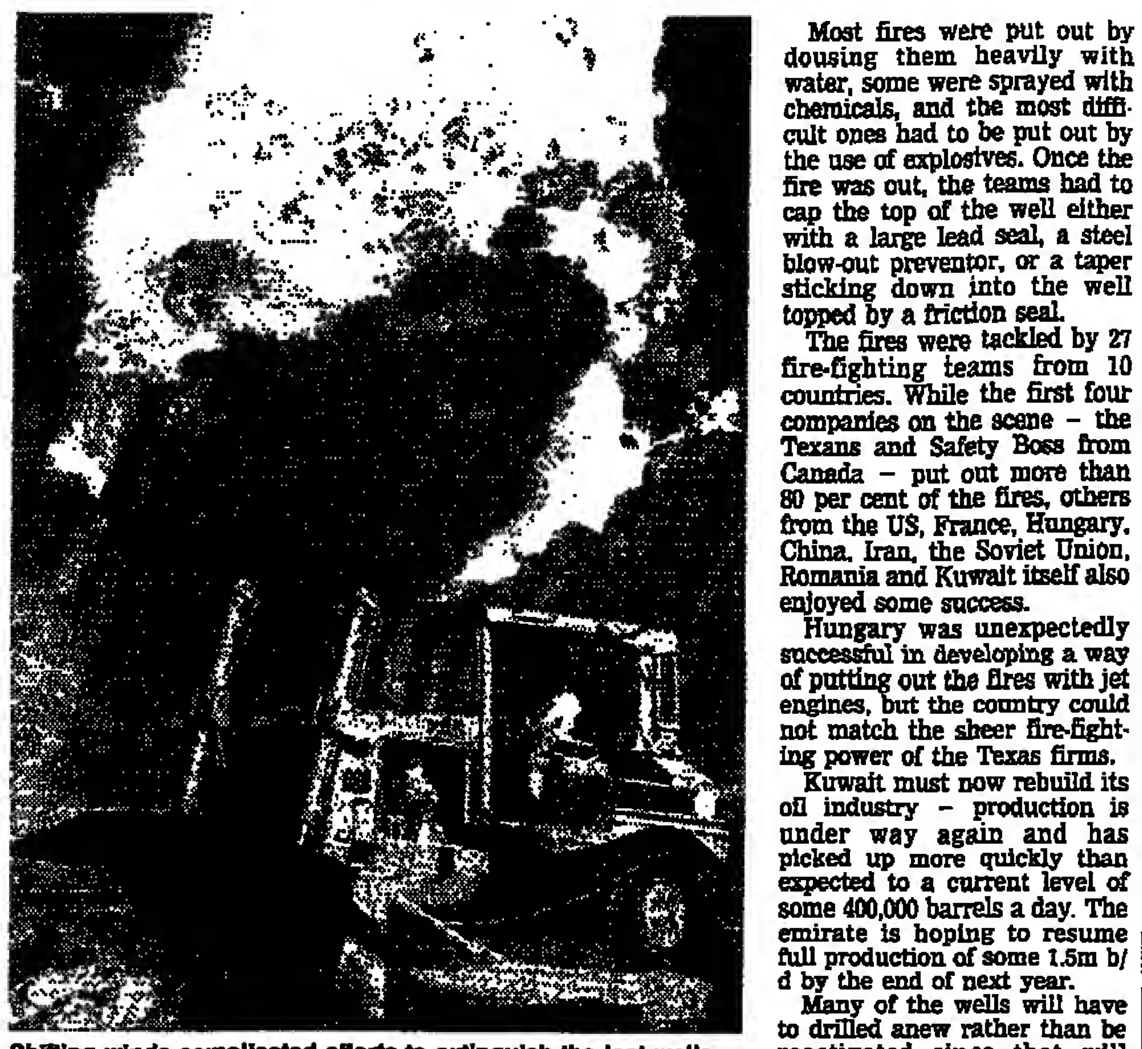
"Kuwaiti oil officials came to Houston just after the war had started and before any of these wells were on fire. We sat down and worked out a basic plan which we could scale up when we knew how many wells we were dealing with," he said.

The destruction of Kuwait's infrastructure meant that officials had to plan down to the last bar of soap since the Texans needed living accommodation as well as fire-fighting equipment.

One of the greatest logistical difficulties was in transporting enough equipment to Kuwait to cope with the fires. The Texan teams travel with a lot of their own heavy machinery and pumps, a lot of which had to be shipped to the emirate.

"Everyone got upset because we raised hell at first when the equipment hadn't arrived," said Adair, "but if we'd waited much longer we'd still be there today."

Water was another problem in the desert where the fire pumps required 8,500 gallons a minute and lines had to be laid across to the Gulf. But once the teams were co-ordinated and water had been laid on, the teams of four or five men were putting out fires at a rate of 10 and 12 a day.



Shifting winds complicated efforts to extinguish the last wells

Most fires were put out by dousing them heavily with water, some were sprayed with chemicals, and the most difficult ones had to be put out by the use of explosives. Once the fire was out, the teams had to cap the top of the well either with a large lead seal, a steel blow-out preventor, or a taper sticking down into the well topped by a friction seal.

The fires were tackled by 27 fire-fighting teams from 10 countries. While the first four companies on the scene – the Texans and Safety Boss from Canada – put out more than 80 per cent of the fires, others from the US, France, Hungary, China, Iran, the Soviet Union, Romania and Kuwait itself also enjoyed some success.

Hungary was unexpectedly successful in developing a way of putting out the fires with jet engines, but the country could not match the sheer fire-fighting power of the Texas firms.

Kuwait must now rebuild its oil industry – production is under way again and has picked up more quickly than expected to a current level of some 400,000 barrels a day. The emirate is hoping to resume full production of some 1.5m b/d by the end of next year.

Many of the wells will have to drilled anew rather than be reactivated since that will work out more cheaply. At the same time, the Kuwaitis are contracting firms to suck up much of the oil that has spilled from the wells and has formed vast lakes containing millions of barrels of thick, sludgy oil.

Rabbits blinded by ozone hole

Leslie Crawford witnesses strange occurrences in southern Chile

Last month satellites from Nasa measured the biggest ozone hole ever recorded over the Antarctic. It now extends more than 21m square kilometres, which is more than four times the size of the US, and is affecting parts of southern Australia, New Zealand, Argentina and almost half of Chile.

Antarctica loses about 70 per cent of its ozone cover as a result of a photochemical reaction – involving chlorofluorocarbons – which is triggered by the first rays of the spring sun. The ozone hole allows increasing levels of cancer-causing ultraviolet rays to reach the earth.

Although Antarctica's ozone levels recover in summer, scientists note that the springtime hole is getting bigger, appearing earlier and lasting longer.

Moreover, strange things have begun to happen in southern Chile. Fishermen are catching salmon that are blind. Peasants report that wild rabbits have developed bulging eyes and must be suffering from impaired vision because they are so easily caught. Rodolfo Mancilla, a sheep farmer in Tierra del Fuego, says his animals are also going blind.

Some tree buds this austral spring are showing deformed growth, while certain types of marine algae are secreting a red pigment never seen before.

In Punta Arenas, there is fear and concern over the invisible bombardment of ultraviolet-B radiation. Nobody leaves home without protective hats or sunglasses. Doctors are being besieged by patients with allergies, eye irritations and skin complaints.

"These bizarre occurrences have no clear explanation," says Bedrich Magas, a researcher at the University of Magallanes in Punta Arenas, "but they coincide with the thinning of the ozone layer which allows 20 times more ultraviolet radiation to reach the earth."

With a manual radiometer, Magas has recorded the same intensity of radiation that is found in the Caribbean in summer. "Southern Chile does not have a tropical habitat, it cannot take this kind of punishment," he says.

Magas believes there is an urgent need for a serious scientific study on the impact of UV-B radiation in southern Chile. "This region would be an excellent laboratory to study the effects of ozone depletion," he explains.

In Santiago, Sergio Cabrera, associate professor of molecular biology at the University of Chile, is trying to raise funds for a three-year study on the effects of UV-B radiation on humans and its consequences for fishing, forestry and agriculture. He is still $11,000 (£6,000) short of being able to afford a US-made spectroradiometer that measures ultraviolet radiation.

He says Chile has no information on the amount of radiation it receives. Yet these data are crucial for a country that works on a model of economic development heavily dependent on the export of fruit, fishmeal and cellulose.

Research conducted in Australia and the US has shown that UV-B radiation stunts growth in plants. It is lethal in the early stages of life because it can destroy the genetic information contained in reproductive cells.

It is a cruel irony that southern Chile receives the highest levels of UV-B radiation during spring, when plant and animal life are at their most vulnerable.

Ultraviolet rays can also penetrate depths of 20-40 metres into the ocean. Again, scientists in the Antarctic have observed that UV-B rays affect the growth and reproduction of phytoplanktons, the basis of the marine food chain. The red pigment noted in some marine algae is believed to act as a protective screen against excessive radiation.

Humans have no such natural defences, and exposure to UV-B radiation can cause skin cancer, cataracts and immune deficiencies. The blindness of sheep and rabbits in southern Chile may be caused by the high levels of radiation.

Cabrera believes that Chilean agriculture will soon have to start selecting UV-resistant seeds for its crops, as not all plants appear to have the ability to create pigment shields against harmful radiation.

This kind of genetic engineering is expensive, and it raises the ethical question of why Chile, a developing country with limited resources, should pay for the consequences of ozone destruction caused by the industrialised world.

The potential damage is enormous, as the effects of UV-B radiation are cumulative and the ozone hole will continue to grow for decades after all CFC production stops.

Exhaust furnace eats own waste

By Kenneth Gooding

Brock Metal Company, based in the British Midlands and best-known as a supplier of zinc alloy to the motor industry, diversified into scrap aluminium recycling and then wanted to expand those operations.

It hired a consultant to seek out the best-available furnace for remelting scrap aluminium and after some investigation he suggested that it would probably be better if the company developed its own.

The result is a low-cost furnace system which saves energy, reduces emissions and can cope with filthy and contaminated material.

Brock and the consultant, Keith Riley of Industrial Gas Applications, claim that the process uses at least 60 per cent less energy than most conventional furnaces and that the volume of exhaust gases is reduced by at least 80 per cent.

Malcolm Widdows, Brock's managing director, suggests that a greenfield project using the system would cost about £750,000 compared with the £1.25m his company was quoted during its search.

Although Brock's furnace is remelting scrap aluminium, he believes the system is suitable for other applications such as melting scrap copper, burning municipal waste or old tyres.

The UK Department of Energy's Energy Efficiency Office was impressed enough by the potential to provide financial backing under its "best practice" scheme.

Two aspects in particular attracted the EEO to the project. It says some aluminium scrap is very dirty and covered in hydrocarbon waste and other organic contaminants. This contaminated material would be emitted as heavily polluting fumes after partial combustion in a conventional furnace. "The cost of cleaning those fumes could totally inhibit the use of such scrap," according to the EEO.

It also points out that the energy required to produce one tonne of aluminium from primary smelting is about 165 gigajoules a tonne; production of secondary metal from scrap can be achieved for about 9 GJ while the Brock project is expected to produce metal for about 3-4.5 GJ a tonne.

Widdows says Brock spent about £400,000 on what has been dubbed the Rilee (Recycle Incineration Low Exhaust Emission) system and should get back its investment in 18 months.

"We previously had nine people producing 200 tonnes of aluminium alloy a month for the motor industry. Now the same nine people are producing 800 tonnes a month," he says.

Brock is using a conventional but slightly modified reverberatory furnace supplied by Thermco of France. Air Products in the UK has provided the burner and associated controls. The burner uses pure oxygen, instead of air, with the fuel – which can be natural gas, petroleum gas or pulverised coal.

The big advantage of an oxy/fuel burner is that it achieves high-temperature combustion by eliminating air-born nitrogen. The high temperatures obtained enable a high rate of heat transfer, giving efficient use of fuel. Eliminating nitrogen from the process also means that the volume of exhaust gas produced is less than 20 per cent of that from a comparable air/fuel burner.

However, the flame from an oxy/fuel burner usually approaches 3,000 deg C and this can be too hot for many applications. It would vaporise aluminium, for example. But the Rilee process keeps the temperature down by directing exhaust gases back into the furnace.

At the same time, heat in the recycled exhaust emissions is used in the process and this saves fuel. Consequently, the dirtier the scrap fed into the furnace, the lower will be the fuel costs. But metal recovery will also be lower.

The computer-regulated furnace control system ensures that exhaust emissions from the contaminated metal are fed back into the furnace again and again until they have been virtually consumed.

"One of the most interesting things about the system is the way it ingests its own waste products," says Riley. He and Brock have applied for patents on the furnace control system so that they can sell the technology.

You were happy to spend a fortune advertising on T.V.

Then you had to go and read this.

NO-ONE can deny that television advertising is expensive. The reason advertisers are willing to pay up is because they've been told time and time again - and have had no reason to doubt - that television is a good investment.

Given the huge audiences and the 'intrusive' nature of the medium, for those who can afford it there is no real alternative.

We may think of this as the accepted wisdom. In fact it's the accepted folly.

The figures that make the case for television advertising are based on a method of research which records the times at which viewers turn their sets on, change channels and switch off.

There is also a 'people meter' that records who is in the room, provided they remember to press the button.

This method asks us to make a rather important assumption.

That when people are in a room with the TV set switched-on, they are actually watching.

Everyday experience, common sense and a little elementary sleuthing will show us that this assumption can't be entirely accurate.

Just how wildly inaccurate has recently been demonstrated by research psychologist Dr. Peter Collett, who used the unassailable method of videoing people watching commercials by hiding a camera in their TV sets.

His findings make uncomfortable reading for anyone who spends large sums on television advertising. Let's assume that you 'invest' £10 million. Dr. Collett saw (literally) that 20% of commercials played to empty rooms. Bang goes £2 million.

The videotapes also revealed that advertising breaks were the cue for people to escape the commercials.

Some people left the room. Others used remote-control 'zappers' to sample the action on other channels. As a result, another 10% of commercials (and £1million of your budget) were lost.

Only 70% of commercials had any audience at all. But the tapes show people talking, reading, sleeping. Some, who evidently forgot they were being filmed, even got down to some serious canoodling.

Half the time, no-one was actually watching the TV set.

In effect, only one third of all commercials had the viewers' attention. £7 million of your £10 million was totally wasted.

Whichever way you look at it, television advertising is less than half as effective as you thought it was. Or more than twice as expensive.

In publishing this newspaper advertisement, we do not wish to imply that your television advertising budget is wasted. Just two thirds of it.

Of course we're not suggesting that you stop using television, only that you stop to think about what other, powerful options are available. Newspapers, for example.

You cannot read a newspaper whilst behaving as if it isn't there.

If you put down your newspaper to make a cup of tea, the ads will still be there when you come back.

(It is probably impossible to canoodle while reading a newspaper, but if Dr. Collett's research teaches us anything, it is not to be dogmatic.)

Some of the most famous campaigns in advertising history have been conducted in newspapers. We've already featured several of them on these pages. This advertisement contains two more examples.

Newspaper advertisements can be intrusive, powerful and compelling.

You've spent three minutes on this ad already and read every word so far. How much would it cost you to hold someone's attention on TV for three minutes? (Don't forget that TV is more than twice as expensive as you thought it was.)

If you'd like more information, please telephone 071-433 1500.

PEOPLE READ NEWSPAPERS

This advertisement was placed by the Newspaper Publishers Association.

ARTS

TELEVISION

The dangers of jumping on a gravy train

When you consider the standards of professionalism in such British drama series as *Jute City* (Sundays, BBC1), *Rumpole Of The Bailey* (Mondays, ITV), *The Gravy Train Goes East* (Mondays, Channel 4), *Children Of The North* (Wednesdays, BBC2) and *Minder* (Thursdays, ITV) and compare them with the standards which, judging from the evidence at international festivals such as the Prix Italia and Banff, prevail in the rest of the world, you have to conclude that British viewers are lucky. So far as I can make out from these festivals, and simply from watching television wherever I can, there is nowhere else in the world where you could find five drama series each week of this standard, either in the autumn season or any other.

Taking them in order of transmission, *Jute City* is a three-part thriller by David Kane, set in Dundee, spoken in the vernacular (whereas strong accents used to be *verboten* in television drama now they are *de rigueur*), and using one of those plots in which everybody – town councillors, landlords, industrialists – is up to no good. Having opened with a nasty murder on a moorland road, the dirty deed carried out by villains in Laurel and Hardy masks, witnessed by a crew member from an Eastern European factory ship, it has progressed via freemasonry, nightclubs and a shady haulage business to a point where it seems doubtful whether anybody on screen knows what is supposed to be going on, never mind those of us out here on the old green sofa.

What is so striking, especially if you happen to have seen a lot of productions from other countries in the recent past, even from places with strong traditions of film and television drama such as Sweden, Canada and Czechoslovakia, is the slickness of *Jute City*. Director Stuart Orme appears to be the master of every trick in the modern film maker's book, using the mobility of today's cameras to exploit his Dundee locations to great effect. He has little if anything to learn from *Twin Peaks*.

Although *Rumpole Of The Bailey*, having first come to ITV in 1978, is much more of a known quantity, it is style once again, though a different sort of style, which is so important. Last week's story about a restaurateur named Jean Pierre O'Higgins who was taken to court for serving a live mouse to a customer was both thin and unlikely, but plot never was John Mortimer's strong point. What we watch *Rumpole* for is the character of the foxy old barrister, for Leo McKern's gleeful embodiment of the role, for other cameos such as T.P. McKenna's as the chef, and for all the incidental detail in and around Rumpole's chambers.

Starting as *Rumpole* finishes, *The Gravy Train Goes East* can hardly be considered entirely new, either, being a sequel to Malcolm Bradbury's EC satire *The Gravy Train*. There is nothing obscure about Bradbury's story line which begins with a writer becoming president of a newly de-Stalinised Eastern European country called Slaka (shades of Vaclav Havel, though this time the writer is a woman, played by Francesca Annis of whom we surely hope to see more) and then scampers back to Brussels and London to follow the shenanigans when Slaka seeks to join the European Community.

John Sessions in 'Jute City': de rigueur vernacular

BBC2's *Children Of The North* is an adaptation of novels by M.S. Power about the troubles in Northern Ireland. Once again we open with brutal murder, once again much of the dialogue is in the vernacular, once again almost everybody seems to be up to no good, though this time it is the IRA, MI6 and the RUC. This is powerful, vivid stuff taking a sardonic, even cynical, view of Irish events. The English, especially as personified by Patrick Malahide, are standoffish, and the Irish by turns chillingly murderous and eerily fastidious.

As with *Rumpole* so with *Minder*, we are dealing with a well known and widely admired series, and a very popular character, this time George Cole's wide boy Arthur Daley. Last week's episode, written by Bernard Dempsey and Kevin Sperring and directed by Derek Banham, was a splendid example of the genre: simultaneously philosophical, sentimental, and criminal. Arthur upstaged the younger talent on the manor by combining a karaoke night with an aged ventriloquism act. The script provided plenty of scope for Cole to embroider his character's humanity, and plenty of vintage *Minder* dialogue: "Did you hear about my eldest?" "Yes I did and I must say I think the judge was vindictive". "Still, at least I know where he'll be for the next two years".

There is, in case you had not sensed it, a big "But" hovering over this article. All these series come with a highly professional gloss, but there is another characteristic they share too: they all seem remarkably familiar. Familiarity is not necessarily a bad thing, of course; it can be one of the power bases of broadcast drama. From *The Archers* to *Coronation Street* it has long been apparent that the audience can contribute significantly to its own enjoyment by bringing to successive episodes a stock of memories and an intimate knowledge of characters and plot lines from all that has gone before.

Minder certainly seems to benefit from this, though *Rumpole*, being written by one man, suffers more from sameness. Mortimer's insistence on always linking the events of his hero's home life to the events of his working life can become tiresome. The moment we learned last week that Hilda was off on a gastronomic tour with her cousin Everard from Saskatoon every regular viewer knew that the court story would have to be something to do with restaurants.

However, it is not really such repetitiveness in long running series which concerns me. What seems more questionable is the similarity between *Jute City* and all those other dour Scottish drama series with a precisely similar nasty atmosphere of violence: *The Justice Game* (with Denis Lawson as a lawyer), *Winners And Losers* (Leslie Grantham – Dirty Den – involved in the boxing business), *The Advocates* (all sorts of crime from drugs to property) and even *Your Cheatin' Heart* where rain, darkness, incomprehensible dialogue and an unpleasant sense of threat were just as common as they are in *Jute City*. It could be argued that *The Maltese Falcon* shares most of these characteristics and is a hugely enjoyable movie, but *The Maltese Falcon* has tremendous style and a sense of humour which are sadly missing from *Jute City*.

Children Of The North looks like becoming a more significant piece of work, but here, too, the sense of *déjà vu* is remarkably powerful. In the case of Michael Gough as the mystical old buzzard the reason is presumably that he played a precisely similar role in Dennis Potter's *Blackeyes*, but for the rest – from the stark visual style with its harsh back-lighting, to the violence of the killings – it is hard to remember whether it is reminiscent of *Contact* or *Shoot To Kill* or *Final Run* or *Crossfire*.

In the case of *The Gravy Train Goes East* the attempt to produce a second success by cloning appears to be unashamed: once again Ian Richardson plays the English civil servant Spearpoint, once again his wife Hilda (no, I have no idea why they are all called Hilda) is breathing fire and jealousy, once again Christoph Waltz is Bloody Dorfmann, once again it is never quite as funny as you think it is going to be.

The trouble is, surely, that television is such a greedy medium. Once a half-way successful formula turns up it will be used and used, again and again, until the viewers feel they could be writing these programmes rather than watching them. In the cinema, where there is no need for series or serials, successive productions still tend to be more individualistic, more idiosyncratic. And what makes the prospect for television so sad is that it seems the demand for "product" is going to go on rising and rising. As they become ever more professional television's drama series threaten to become ever more familiar.

Christopher Dunkley

Bill Paterson and Juliet Stevenson

Death and the Maiden

ROYAL COURT THEATRE

In 1990, Ariel Dorfman returned to Chile after 17 years' exile. Only then did he write *Death and the Maiden*, this contemporary tragedy about a country feeling its way towards democracy in the aftermath of a dictatorship. The play has now transferred from The Theatre Upstairs to The Royal Court. It is at once an account of human brutality, a psychological thriller, and a debate about justice and revenge. It makes moving and urgent theatre; it should not be missed.

The plot is everything. Gerardo is a lawyer appointed under the new democracy to head a Commission to investigate human-rights violation in the old regime. One night on the road, he has a puncture, and is picked up and taken home by Roberto. Gerardo's wife, Paulina, herself a torture victim, at once recognises Roberto as the menacing doctor who raped her to the sound of Schubert and who calculated the voltage to pass through her genitals during torture. She takes a gun, ties him up, and puts him on trial. He protests his innocence, while Gerardo makes the case against immediate and illegal revenge.

The characters are formed and implicated in the action, emerging from it: Paulina the revenging victim, Roberto the contemptible yet pitiable torturer, and Gerardo the rational democrat mediating between those who wanted past terror totally revealed, and those who want it completely buried.

Lindsay Posner directs the action unobtrusively, if murkily at times. Juliet Stevenson's superb Paulina brings the terrible past to bear on the present situation. She finds depth and power in the slightest gesture, a lifetime burning in a moment's anguish. Michael Byrne as the suave Roberto does a magnificent job: he arrives, confesses, and reaches degree zero as Paulina forces him to recount his crimes. Bill Paterson as Gerardo grows in stature against Stevenson's assertiveness, just as his character grows in clarity as the argument progresses.

The play's power comes from the moral issues it invokes. This is modern drama according to Aristotle. Dorfman positions his principals in a framework of political and emotional debate. How can perpetrators and victims of torture coexist in the same land? How can a country heal when the atmosphere of lying and repression lives on? How can these questions be answered without destroying the national consensus which creates democracy?

Amnesty International and the Medical Foundation for the Care of Torture Victims contributed real-life stories from Chile during rehearsals. After such knowledge, what forgiveness?

Andrew St George

Winter Dreams

COVENT GARDEN

After the alarms of the past fortnight, the Opera House season began on Monday night with a Royal Ballet mixed bill. It began, more especially, with a reading of *Les Sylphides* so brisk that one might suppose the orchestra was making up for lost time with the speediest Chopin in town. This was Fokine's celebration of romanticism as something short-breathed, dainty, dutiful. It made little sense, and the use of a pink follow-spot to catch the leading dancers in a rosy glow was exquisitely inapt.

There followed three divertissement items – the defection of Jerome Robbins' *Afternoon of a faun* bringing the change of programme. I don't think that Ashton's *Thaïs* duet stands up in these surroundings. It was a perfumed moment made wonderful by Sibley and Dowell. Their successors, Viviana Durante and Stuart Cassidy, are very pleasing, but when it was first shown the piece hymned an extraordinary physical and emotional partnership, and every step, every gesture was laden with the Sibley/Dowell magic. Without that, the dance looks thin.

Not as thin, though, as *La Luna*, a contortionist act for Sylvie Guillem from Maurice Béjart. It is a portrait of an acrobat with severe gynaecological problems. (That she has severe choreographic problems is par for the course with Béjart). Mlle Guillem, in white leotard, palpates herself, twists her limbs, and generally behaves like a human pretzel. The adagio from a Bach violin concerto is played the while. The incident contrives to be superbly vulgar and convulsingly funny – though I have a suspicion that it is supposed to be Art.

As a return to sanity, we saw Balanchine's *Chaikovsky pas de deux*, given with delicious ease by Darcey Bussell, partnered by Zoltan Solymosi. I reported on this from the Paris Opera galas a couple of weeks ago. Suffice it to say that Miss Bussell inhabits the music with a sweet assurance, shaping the dance with the dewiest bravura, and that Mr Solymosi is a strong, sympathetic cavalier.

To close the evening, *Winter Dreams*, with its original cast. MacMillan's structure remains fascinating: these are scenes from provincial life, artist's sketches done in the urgent heat of the moment. The mood as well as the characters of *The Three Sisters* are revealed with an oblique, penetrating skill: Kulygin's frustrations in those constrained, awkward gestures so brilliantly caught by Anthony Dowell; Masha's passions and despair, Vershinin's ambiguities the brush-strokes that shape Darcey Bussell and Irek Mukhamedov's lambent interpretations. Performances from the company were proof, yet again, of fine, sensitive ensemble playing.

Clement Crisp

Tennstedt's Mahler

ROYAL FESTIVAL HALL

The first time I heard Mahler's Sixth Symphony at the Royal Festival Hall, in the late 1960s, the hall was full of young people. These days the audience is more mixed and orchestras play the music better, while this amply romantic and ambitious performance was of a kind successfully to bridge the age gap.

Klaus Tennstedt is unquestionably one of the leading Mahler interpreters of the day. His performance of the Eighth Symphony earlier this year, captured on film for commercial release, was one of those inspirational occasions when everything worked. So to say that this return visit for the Sixth with the London Philharmonic on Monday (to be repeated tomorrow) was a less complete account of the music is a comment to be taken in relative terms.

The Sixth Symphony draws its ideas from a complex mesh of roots, to not all of which Tennstedt has equal access. He is not, for example, a Boulez, who is able to clarify the music and show us a 20th-century symphony with links forward to Berg and Schoenberg; nor is he a Bernstein, with an innate feeling for all its personal traits, its Jewishness and sticky Viennese lyricism.

If I had to place Tennstedt as a Mahlerian, it would be rather as an inheritor of the central Germanic tradition stretching back to late Beethoven and Wagner. From them he draws structural strength. From them, too, he takes what I hear as a Germanic orchestral sound, grand and richly-coloured at the expense of detail, which often gets lost; while there is a heroism in his Mahler that recalls the composers of *Fidelio* and *The Ring*.

This performance followed all those Tennstedt traits. For if it was only intermittently interesting in what it had to tell us about this or that passage of the music, the symphony was overwhelming as a whole. It made its initial impression not in the unruly opening march, but in the first movement's central section, where Tennstedt took the music daringly slowly and it opened on to a visionary vista of Mahlerian tranquility.

By and large the standard of playing was good. Tennstedt's Mahler is not about getting every dot and dash in the right place, but when the orchestra was fully warmed up, the players aspired to an impressive romantic grandeur. The finale was momentous: Mahler's tragic hero, in battle and defeat, at his full stature.

Richard Fairman

RSC gets a royal boost

The Prince of Wales is to become the President of the Royal Shakespeare Company. This boost for the RSC was announced yesterday at its annual meeting in Stratford-upon-Avon. It will greatly improve the Company's image with potential sponsors and in the City of London, which in 1991-92 helped to solve the RSC's endemic financial problems by giving it an extra £1.35m.

Even so, the RSC still ended the financial year with an operating deficit of almost £970,000, which increased its accumulated debt to £3m. The Governors are to form a committee to undertake some energetic fund raising in an effort to gradually eliminate this shortfall. The closure of the Barbican theatres in the City for four months last winter prevented the deficit on the year rising to an "unmanageable" £1.7m.

Attendances at the Barbican and the Pit were were well down in 1991-92, to around 65 per cent of capacity, but they held up at Stratford, reaching the target of around 80 per cent. In all the RSC, in the last season under Terry Hands (Adrian Noble took over in March) played 1561 performances to an audience of just over 1m. It also received a favourable appraisal from the Arts Council which pointed out that it took 33 per cent of the box office income of all building based drama companies in England.

*

The five category winners for the 1991 Whitbread Prize were announced yesterday. They were: for the novel, *The Queen of the Tambourine* by Jane Gardam; for first novel, *Alma Cogan* by Gordon Burn; for poetry, *Gorse Fires* by Michael Longley; for biography, *A Life of Picasso* by John Richardson; for children's novel, *Harvey Angell* by Diana Hendry.

On January 21, 1992 one of these will win the £20,500 first prize on top of the £2,000 they each received yesterday.

Antony Thorncroft

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Valery Gergiev conducts the Royal Concertgebouw Orchestra in Gubaidulina's Offertorium (with violin soloist Vadim Repin) and Shostakovich's Eighth Symphony. On Sat and Sun afternoon, the Shostakovich is replaced by a suite from Prokofiev's Romeo and Juliet. Tomorrow: Jeffrey Tate conducts the Rotterdam Philharmonic Orchestra in music by Keuris, Mozart and Richard Strauss. Tonight and Sat in the Kleine Zaal: Borodin Quartet plays Shostakovich (6718 345)

Muziektheater 20.00 Hans-Martin Schneidt conducts Johannes Schaaf's production of Fidelio, with a cast led by Josephine Barstow, Thomas Moser and Hans Tschammer, also Sat and Tues (6255 455/credit card bookings 6211 211)

BERLIN

Deutsche Oper 19.30 Marcello Viotti conducts Tosca, with Grace Bumbry in the title role, Neil Shicoff as Cavaradossi and Ingvar Wixell as Scarpia, also Sun. Tomorrow: Rigoletto with Luba Orgonasova as Gilda. Sat: Don Giovanni (West Berlin 3410 249)

Schlosspark-Theater 20.00 Alfred Kirchner's production of Mozart's Der Schauspieldirektor, with the RIAS Jugendorchester conducted by Sebastian Lang (7931 515)

Schauspielhaus 20.00 Daniel Barenboim conducts the Berlin Philharmonic Orchestra in Bruckner's Fifth Symphony. Tomorrow: piano recital by Andrei Gavrilov. Sat: Colin Davis conducts an all-Mozart programme with the Dresden Staatskapelle (East Berlin 2272 261)

BRUSSELS

Palais des Beaux Arts 20.00 Pierre Bartholomée conducts the Belgian National Orchestra in Sibelius' symphonic poem Tapiola, Debussy's La Mer and Grieg's Piano Concerto, with Brian Ganz. Sat: four percussionists present a programme including Ravel's Mother Goose arranged for percussion (507 8200)

GOTHENBURG

Konserthus 19.30 Jun'ichi Hirokami conducts the Gothenburg Symphony Orchestra in music by Rossini, Masson and Schubert, repeated tomorrow at 15.00 (167000)

HAMBURG

Deutsches Schauspielhaus 19.30 St Petersburg's Maxim Gorki Theatre presents Neil Simon's The Last of the Red Hot Lovers, directed by Georgy Tostanogov, also tomorrow. The company's artistic director, Kirill Lavrov, stars in Tostanogov's production of Chekhov's Uncle Vanya on Sat. This is the second in a series of planned exchanges between the Hamburg and St Petersburg companies. On Sun, the Hamburg company presents its new production of The Cherry Orchard, directed and designed by Wilfried Minks (248713)

Staatsoper 19.00 Die Zauberflöte with a cast including Robert Gambill and Kurt Moll. Tomorrow: Bernd Weikl sings the title role in Tony Palmer's production of Simon Boccanegra. Sat: Der fliegende Holländer with Franz Grundheber and Linda Plech. Sun: Bob Wilson's production of Parsifal, with Siegfried Jerusalem, Bernd Weikl and Dunja Vejzovic (351555)

LEIPZIG

Gewandhaus 20.00 Rolf Reuter conducts the Orchestra of the Komische Oper, Berlin, and the Gewandhaus Chorus in choral and orchestral music by Hans Pfitzner, repeated tomorrow. Sat: Theodor Guschlbauer conducts the Strasbourg Philharmonic Orchestra in music by Dutilleux, Ravel and Richard Strauss. Sun: Georg Schmöhe conducts extracts from Hansel and Gretel (7132 252)

LONDON

MUSIC AND DANCE

Covent Garden 19.30 Royal Ballet in choreographies by Ashton, Fokine, Jerome Robbins and MacMillan. Tomorrow: Les Huguenots. Sat: David Bintley's ballet Cyrano (071-240 1066)

Queen Elizabeth Hall 19.00 Mark Wigglesworth conducts David Freeman's Opéra Factory production of Don Giovanni. Runs till Nov 29, with next performance on Tues (071-928 8800)

Royal Festival Hall 19.30 Klaus Tennstedt conducts the London Philharmonic in Mahler's Sixth Symphony. Tomorrow: Lydia Mordkovitch plays Walton's Violin Concerto with the LPO and Bryden Thomson. Sat: David Willcocks conducts music by Malcolm Williamson, Elgar, Bliss and Bax. Sun at 15.15: David Atherton conducts Britten's Spring Symphony (071-928 8800)

Barbican 19.45 Nash Ensemble in a programme of chamber music by Prokofiev and Shostakovich. Tomorrow: Edo de Waart conducts the CBSO in music by John Adams and Richard Strauss, with Mark Kaplan soloist in Beethoven's Violin Concerto (071-638 8891)

THEATRE

● Party Time: Harold Pinter's first new play since 1988. Pinter himself directs a cast including Dorothy Tutin, Barry Foster, Peter Howitt and Nicola Pagett. Daily except Sun till Dec 21 (Almeida, 071-359 4404)

● The Wind in the Willows: Alan Bennett's acclaimed stage adaptation of Kenneth Grahame's 1908 book returns to the National Theatre repertory, in the production by Nicholas Hytner which won a 1991 Olivier Award (Olivier, 071-928 2252)

● When She Danced: Vanessa Redgrave plays the controversial dancer Isadora Duncan in Martin Sherman's play about her relationship with the Russian poet Sergei Esenin (Globe, 071-494 5065)

● Richard II: Alex Jennings as the young king in Shakespeare's play. The RSC repertory also includes Much Ado About Nothing and Sam Mendes' production of Troilus and Cressida (Barbican, 071-638 8891)

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MILAN

Teatro alla Scala 20.00 Georges Prêtre conducts the Orchestra of La Scala in Strauss' Ein Heldenleben, Fauré's Pelléas et Mélisande and Ravel's Daphnis et Chloe second suite. Repeated tomorrow and Sat (7200 3744)

NEW YORK

Avery Fisher Hall 20.00 Robert Shaw conducts the New York Philharmonic Orchestra and Westminster Symphonic Choir in Samuel Barber's Prayers of Kierkegaard and Mozart's Mass in C minor. Repeated tomorrow, Sat and next Tues. Sat in Alice Tully Hall: Kronos Quartet. (875 5030)

Metropolitan Opera 20.00 Leopold Hager conducts Cosi fan tutte with a cast including Carol Vaness, Dolores Ziegler and Dawn Upshaw. Tomorrow: Aida. Sat afternoon: Die Zauberflote. Sat evening: L'elisir d'amore (362 6000)

New York State Theater 20.00 Lerner and Loewe's Brigadoon returns to the City Opera repertory after an absence of five years. Daily except Mon till Nov 17 (870 5570)

PARIS

Châtelet 20.30 Lieder recital by Francisco Araiza, accompanied by Irwin Gage. Tomorrow: Eliahu Inbal conducts stage works by Satie, Poulenc and Ravel. Sat: Kent Nagano conducts Gurrelieder, with Margaret Price, Gary Lakes and Hans Hotter (4028 2840)

STOCKHOLM

Royal Opera 19.00 Daniel Börtz's new opera The Bacchantes, staged by Ingmar Bergman, with a cast led by Sylvia Lindenstrand, Anita Soldh and Peter Mattei. The opera is based on the original Greek tragedy by Euripides, and is sung in Swedish. Runs till Dec 13, with next performance on Mon (248240)

VIENNA

Staatsoper 19.00 Vaclav Neumann conducts Rusalka, with a cast led by Gabriela Benackova. Tomorrow: Firebird and Daphnis et Chloe ballets. Sat: Cosi fan tutte. Sun: Don Giovanni (51444 2960)

Musikverein 19.30 Peter Keuschnig conducts Ensemble Kontrapunkte in Stravinsky's Soldier's Tale and songs by Berio, with Jose Carreras and other soloists. Tomorrow: the cellist David Geringas plays Schnittke with the Austrian Radio Symphony Orchestra conducted by Michael Gielen. Sat: Heinz Wallberg conducts Mozart and Beethoven. Sun: Nikolaus Harnoncourt conducts Mozart with Concentus Musicus Wien and Thomas Hampson (505 8190)

Konzerthaus 19.30 Wien Modern: a programme of contemporary music with the Austrian Chamber Symphony Orchestra. Tomorrow: Sandor Vegh conducts the Vienna Chamber Orchestra in music by Mozart and Haydn (7124 6860)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1830, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
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Wednesday November 6 1991

Government and the CBI

FROM BEHIND the fog of pressing short term concerns, a clearer outline of a business agenda for the 1990s is emerging from the Confederation of British Industry. It is beginning to recognise that the challenges British businesses will face in this decade will require imaginative new thinking, as well as a strident defence of its immediate self-interest.

The CBI this week started to map out the parameters of the debate it will have to engage in over the next few years: how to develop its relations with government, in the wake of Thatcherism and in the context of European economic integration.

Industry wants the UK to be fully integrated into a European market, with a single currency. It wants the government to adopt a positive approach to the discussions in Maastricht. Yet it also wants the UK to represent a distinctive economic and social model, which could provide the rest of Europe with interesting lessons, not just a dissenting, *reluctant voice on the sidelines*. According to delegates at Bournemouth, central to that model will be a relationship between industry and government as productive and stable as the German system, without its rigidity and cumbersome paraphernalia.

Business should play a leading role in the debate about how Britain's social and economic institutions – from education and training to the nature of employee involvement within companies and the role of the DTI – should be developed. The CBI championed sterling's membership of the exchange rate mechanism long before it became the conventional wisdom. Its sustained work on training has been the best example of how to change the priorities of both business and politics.

More vision

Yet it needs to show considerably more imagination and vision if it is to elaborate the components of a workable British model for the 1990s.

The CBI rightly wants large parts of the Thatcherite inheritance to be protected: trade union legislation, privatisation and the central role of the market. It also believes there were failings, particularly public under-investment in transport and the distant relationship between industry and the Department of Trade and Industry. The government should examine the CBI's suggestion that the DTI, the departments of employment and energy should be abolished to create a Department of Enterprise and a Department of Commerce.

Treasury thinking

However this is more the modernisation of an old agenda than the opening of a new one. The CBI needs to question the central role of short term Treasury thinking in public policy, develop a framework for business relations with local government and engage in the debate about the links between constitutional reform and economic performance.

On Europe, the CBI supports economic integration and hankers after German industrial productivity and economic stability. But the price it is *prepared to pay for economic integration* does not include acceptance of the web of German corporate social obligations, such as supervisory boards and restrictions on weekend working. Its legitimate defence of British managerial interests needs to be combined with a more positive account of how European business should combine social responsibility with managerial flexibility. Britain cannot copy the German system of wage bargaining and training: it does need a system that delivers comparable outcomes in terms of modest unit cost increases and high levels of skills.

Sir Alastair Morton's innovative idea for a hypothecated transport fund financed by a pollution tax, for all its drawbacks and the danger that it is just well dressed special pleading, is an example of the kind of new thinking which is needed. The CBI has become more effective in providing its members with services and at lobbying in Westminster and Brussels. Sir Michael Angus who takes over the organisation's presidency in May should address how it should combine these traditional roles with a strengthened capacity for policy innovation.

What hope for Yugoslavia?

THE decision by Mr Slobodan Milosevic, the president of Serbia, to reject the European Community's peace plan for Yugoslavia is not only a serious blow to the EC's belated efforts to stop the fighting. It is a terrible blow to the people living in that country. The fighting will continue. It is likely to spread beyond Croatia to the other republics.

Worse, European governments and the United States had been repeatedly alerted to Mr Milosevic's aim of imposing his own style of government in post-communist Yugoslavia. Yet western governments stubbornly argued that the maintenance of the Yugoslav federation was preferable to dealing with emerging independent states. They also supported the federation on the grounds that it was the only institution that guaranteed stability. These arguments sowed the seeds of instability. They also gave legitimacy to Mr Milosevic and the federal army.

It was only after the army attacked Slovenia, and later Croatia, following their June 25 declaration of independence, that the EC realised the Yugoslav federation was no longer a viable institution. Lord Carrington, a former UK foreign secretary, called an EC-sponsored peace conference with the aim of implementing a *ceasefire in order to negotiate* a peaceful solution to one of Europe's worst crises since 1945.

The negotiations, coupled with attempts to impose numerous ceasefires which the EC yesterday described as farcical, showed how wide was the gap in understanding, and ambitions, between The Hague and Serbia. The negotiations also demonstrated the lack of political will by Croatia, Serbia, and the federal army to honour any ceasefire agreements. Last week, the EC finally issued an ultimatum: it would impose sanctions throughout Yugoslavia if the republics did not accept The Hague's peace plan. Yesterday's *rejection* by Serbia means that the EC will be bound by this ultimatum.

Little choice

It has little choice. Sanctions will send a clear message, not only to Serbia and the federal army, but to other potentially authoritarian governments in the Balkans, eastern Europe and the Soviet republics, that changing borders by force will not be tolerated by western governments. Second, sanctions will demonstrate that the EC is concerned about the status of all the ethnic minorities in the entire region. Third, sanctions will show that the EC is not about to turn its back on a country faced with escalating violence, or fail to help it back on the long road to peace.

International support

No EC member state doubts the difficulty of making these sanctions effective. Recent experiences show that sanctions take time to work, and are extremely difficult to make water tight. Thus any imposition of sanctions would require full support from Yugoslavia's neighbours, particularly Romania, the Soviet Union, and further afield, China.

The most important sanction – an oil embargo – would eventually wear the federal army and the Serbian economy down. To achieve this, the EC needs the mandate of the UN Security Council, which it should seek without delay. In addition, the Nato summit this Friday could be asked to consider the effective blockade of the Adriatic.

No EC member state questions the unfairness of imposing sanctions on some of the republics, particularly Slovenia, Macedonia, the province of Kosovo, and less so, Croatia. For instance, Slovenia has installed a democratic government committed to economic reform and political pluralism. Fortunately, the EC has included clauses in its peace plan which allow for recognition of these republics and renewal of trade relations provided they support and respect the EC peace plan.

Maintaining sanctions might then be difficult but in most *cases should be possible*. Although sanctions will sometimes punish the innocent with the guilty, they must be pushed through. Without decisive action, other republics, and even other countries, could become embroiled in this bloody civil war.

George Graham on the gloomy outlook for US banking reform

Thwarted ambitions

When the Bush administration embarked 10 months ago on a campaign to overhaul the piecemeal legislation governing US banks, its programme *was the most ambitious* attempt at reform since the 1930s.

By last week, a group of leading Democrats in Congress had changed the legislation so much that the Treasury disowned it and Republicans angrily turned on the bill they had fought for.

The bill sought to stop the US banking industry from running headlong into the same crisis as that which devastated the savings and loans institutions (the equivalent of British building societies) in the 1980s. The bank deposit insurance fund has had to pay out so many billions of dollars to reimburse savers whose banks collapsed that it is expected to run out of money in the next *two to three months*.

The reform is designed both to give the fund up to $70bn and to stop the run of failures by helping banks to improve their profitability. Without it, thousands more banks could collapse, and the banking system would have to muddle on with its present set of incoherent and contradictory rules.

But the bill as put before the House satisfied nobody. "This legislation does for the financial market-place what the Hindenburg did for air travel," complained Republican Congressman Richard Baker of Louisiana.

Like the Hindenburg, the bill went down in flames. Monday's 324 to 89 vote in the House of Representatives, however, *showed how deeply unhappy* both parties were with the reforms, as a majority of Democrats joined the Republicans to vote against their leadership.

Fierce lobbying by securities and insurance interest groups defeated the banking lobby in shaping the original bill. But big bankers mustered enough firepower to kill the resulting compromise.

When the Treasury proposed the legislation in February, it hoped it could use the urgent need to provide more capital for the deposit fund – a task that Congress could not shirk – as a locomotive to pull through the other reforms it thought necessary to return the US banking system to health.

In the 1980s dwindling interest margins and rising bad debt weakened banks' profits and ate into their capital. They were forced into riskier areas such as commercial property financing and small business loans.

The Treasury sought to remedy this by giving banks new opportunities to boost their income. It wanted to let them enter the securities and insurance businesses, and to let them consolidate their subsidiaries in different states into a single branch network. This move could save up to $10bn a year in operating costs, according to McKinsey, the management consultants.

Since the 1927 McFadden Act, banks have been allowed to spread outside their home state only if the host state authorised it – as 33 states now do – and only by setting up a separately constituted subsidiary. Colorado, North Dakota and Wyoming allow banks to have only a single office and prohibit other branches even inside the state.

This has left the US with 12,483 different banks – a field ripe for consolidation, as a wave of recent mergers has demonstrated. Among the largest was the $4bn link-up between NCNB and C&S/Sovran in July.

But the tactic of linking broad reforms to the insurance fund recapitalisation backfired. Folk memories are still strong of the Depression-era wave of bank failures, which gave rise to the US deposit insurance system and to the Glass-Steagall Act of 1933 which barred commercial banks from investment banking and securities activities.

Although the need for change was recognised, few congressmen were confident that the administration was actually proposing the right changes. They remain acutely aware that one of the causes to which the savings and loan crisis has been attributed is the 1980 Garn-St Germain legislation, which allowed S&Ls to broaden their lending and deposit activities but failed to provide tighter supervision.

Despite congressional misgivings, the legislative process has not, however, ground to a complete standstill.

The Senate is due to start debate this week on a version of the bill which the administration finds acceptable. The House, after throwing out the comprehensive bill, begins work today on a narrower bill which would recapitalise the deposit insurance fund and strengthen bank supervisors' powers. It would leave on one side measures designed to allow banks to open branches freely outside their home states and to set up securities and insurance businesses.

The Treasury's remaining hope of achieving comprehensive bank reform legislation lies in a conference between the Senate and the House to reconcile their different versions.

Among the reforms which stand a strong chance of being passed are:

● The replenishment of the deposit insurance fund which, without new money, is expected to show a deficit of $9.6bn by the end of next year, and of $18.3bn by the end of 1993. Slightly more pessimistic projections would leave the fund $14.1bn short next year and $28.9bn in 1993.

● Revising policies for handling bank failures and ending the "too big to fail" mentality which has led bank regulators to keep large, ailing banks alive at great cost.

● Streamlining and strengthening bank supervision between the conflicting supervisory roles of the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, which administers the fund, and the state bank regulators.

Other measures which could survive if Congress agrees on something more than the bare bones include:

● Changes to the scope of deposit insurance. The House has, however, resoundingly rejected even a modest attempt to limit the scope of such insurance, which currently repays depositors in full up to $100,000. Depositors can moreover easily multiply their accounts, even within the same bank, to obtain coverage of well over $1m. Some improvement may come, however, from measures to attach risk weightings to the premiums that banks pay into the deposit insurance fund.

● Interstate branch networks appear likely to be dropped from the draft bill now being prepared by Mr Henry Gonzalez, the Texas Democrat who chairs the House banking committee, but they could be resuscitated. The House voted strongly in favour of an amendment to allow interstate branch networks on Monday before it threw the bill out.

Certain other important changes proposed by the Treasury are likely to fail:

● The expansion of banks' powers to enter the securities and insurance businesses appears to remain so controversial that few congressmen expect this to resurface in the new House bill.

● Allowing commercial businesses to take over banks was resoundingly rejected by the House and is not included in the Senate bill; it stands little chance of survival.

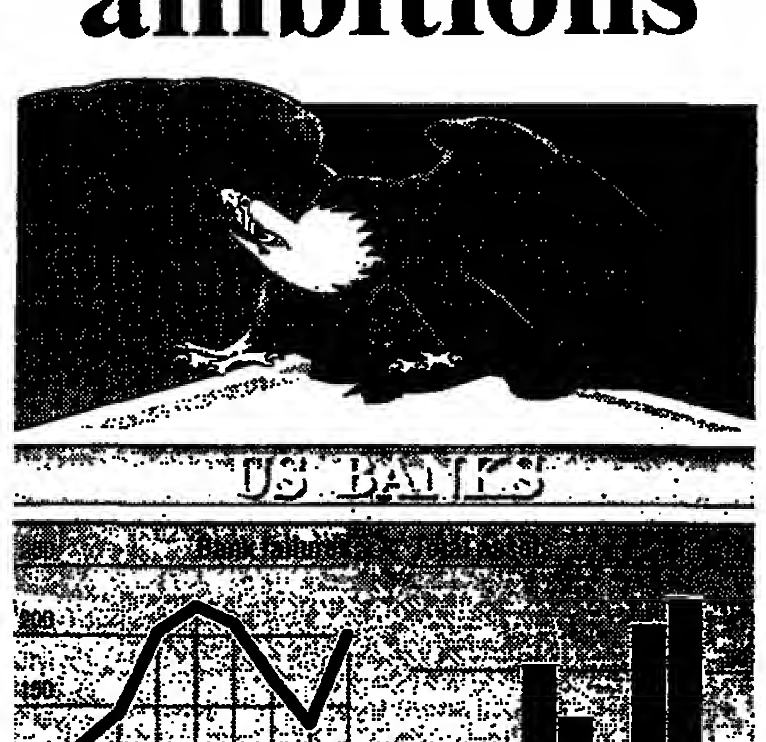
Treasury officials had argued that the measure would bring much-needed new capital into the banking industry. They added that the ban was ineffectual, since commercial companies such as Ford and American Express already own S&Ls and "non-bank banks" which can do virtually everything a bank can do. Opposition remained adamant.

If this package of reforms fails, it will not only be the small bank, insurance and securities lobbies that rejoice. Some economists, too, have argued that the Treasury proposals were inappropriate.

"Brady . . . says the broadened scope will make banks more profitable. But if their central business of taking deposits and lending them out is profitable only if unacceptable risks are taken, the prospect that ancillary functions will make profits is scarcely a solution," commented Professor James Tobin of Yale, who won the Nobel Prize for economics in 1981, in a recent article in the quarterly Domestic Affairs.

"Let us not put the cart before the horse, or invite the horse into greener pastures before he learns to pull his cart safely," he warned.

In the end, the movement for banking reform must prevail, and the sooner it prevails, the cheaper it will be for taxpayers. While Europe is creating a single financial market-place in which banks, stockbrokers and insurance companies can diversify freely across national borders, the US cannot expect its banks to stay competitive if it continues to hem them in with a patchwork of arbitrary barriers to geographical and business diversification.



Recent mergers	Date	Assets
Chemical banking/Manufacturers Hanover	July 1991	$2.2bn
NCNB/C&S/Sovran	July 1991	$4.0bn
BankAmerica/Security Pacific	Aug 1991	$4.5bn
Society Corp/Ameritrust	Sept 1991	$1.2bn
Comerica/Manufacturers National	Oct 1991	$1.1bn

Research by Rivka Nachoma

PERSONAL VIEW

A capital issue for London

By Margaret Hodge

THE FUTURE OF LONDON

As Madrid prepares for its role as "European city of culture" and Barcelona readies itself to host the Olympics next year, they do so from a position of strength. They both have their own city-wide strategic authorities which can plan for such international prestige activities.

Compare and contrast with London. At present cities throughout the world are bidding to host the Olympic Games in 2000. But London was unable even to win the UK nomination to hold the games. The British Olympic Association was not prepared to back a city lacking a central authority which could be held to account for planning and delivering a successful international event.

London is a great city but it cannot afford to rest on its laurels. Today, cities worldwide compete in a way which was unknown in the past. In Britain, Birmingham and Glasgow aggressively market themselves; across the Channel Paris aspires to become the capital of continental Europe while Frankfurt aims to become the European Community's financial centre.

Yet no one is promoting London and the public policy failures of the Conservative government of the past decade continue to undermine its competitiveness.

To maintain its world-class status London must be an attractive place for people to visit or live and work in. Yet a recent survey by London Weekend Television found that 46 per cent of Londoners want to leave the capital.

The ever-worsening difficulties of simply moving around the city are debilitating. The Confederation of British Industry says transport delays cost businesses £10bn a year. Commuters pay the highest train and bus fares in Europe for a service barely worth the name.

A city strewn with litter and with homeless people sleeping on its streets is hardly an *attractive environment for* potential investors.

If London to regain its competitive edge several things must be done. Investment must be increased to provide an efficient and effective transport system, to improve housing, and to train Londoners with relevant skills. London's 32 boroughs need to improve the quality of services such as street cleaning; Paris spends seven times as much as London does on keeping its streets clean.

A strategic authority for the capital is clearly desperately needed. Tory critics of the Greater London Council, the former city-wide authority disbanded by the Conservative government in 1985, now accept this. Tory party chairman Mr Chris Patten whispered his concerns over the lack of a London-wide authority at the party's annual conference last month, provoking a row among Thatcherite junior ministers.

What Mr Patten's comments demonstrated was an acceptance that London cannot continue to be left leaderless and at the mercy of its disparate boroughs, the City of London and 62 other organisations which are now responsible for running the capital.

London needs a strategic body for two purposes:

● first, to represent and promote its interests nationally and internationally. The capital lacks, for instance, powerful leaders to fight its corner in Brussels;

● second, there are certain strategic functions, such as an integrated transport strategy, which can only be carried out by a London-wide body. Similarly, only a city-wide authority can be entrusted to oversee the development of King's Cross, the largest inner-city development in Europe. Likewise, labour issues and economic development must be addressed for London as a whole. It is obvious that these strategic functions are not being properly addressed simply because there is no central representative structure to do so.

Government for London can only be effective if its ruling body is democratically elected. Such a framework would ensure consensus and accountability.

A government minister for London would not be accountable to Londoners and would therefore not put Londoners' interests first. An elected quango would similarly be immune to Londoners' views and priorities.

The Labour party is proposing a democratically accountable Greater London Authority. It need have no more than 30 members. I would like to see three people elected for each of the 10 Euro-constituencies which cover London to ensure the representatives have a strategic perspective which would also take in a European dimension. The authority would not require a large bureaucracy if its functions were truly strategic. For instance it need not be responsible for the day-to-day management of public transport.

A democratic voice for the capital is what Londoners want. Polls confirm that Londoners' ambitions should be to make their capital Europe's leading city. An elected authority for the city would set Londoners on the right road.

The author is leader of Islington council and chair of the Association of London Authorities.

OBSERVER

No credit to government

■ Malcolm Stephens always wanted to run the best export credit business in the world. He did not want to end up as a museum curator. So his decision to resign as chief executive of Britain's *Export Credits Guarantee Department* says more about the low morale of the country's official export credit arm than about his own career ambitions.

Even for an ex-diplomat, the 54-year-old Stephens was surprisingly diplomatic about his move to be chief executive of the London Chamber of Commerce. No, it wasn't the result of the government's privatising half his former business by selling the ECGD's short-term credit operations to the Dutch.

Indeed he stressed that he is leaving behind him a much more "user friendly" organisation which is well respected amongst its competitors. As president of the Berne Union of the world's top credit insurers he should know.

However, scratch the surface a bit and Stephens's chums in the industry are not surprised by his move. "The government would win more respect by closing down ECGD than by pretending they want to stay in it," said one senior clearing banker. The view among most bankers who work with the ECGD is that when it comes to supporting major exporters, the government's heart is not in it, which makes the job of men like Stephens singularly unsatisfying.

The great fear now is that the authorities will replace the departing enthusiast with a Treasury hatchet-man.

Bob Maxwell

■ Although Robert Maxwell has frequently clashed with journalists Observer has always had a soft spot for him. The first time we bumped into each other was in the presidential suite of the Waldorf Towers on New York's Park Avenue. Maxwell was intent on becoming the world's biggest printer and had just announced another mega-*acquisition*.

The great man had summoned the unknown reporter to interview him about his latest business coup. But instead of launching into a great publicity speech, Maxwell was more interested in a plaque he had spotted in the lobby of his bedroom.

On the tablet were inscribed the names of famous people who had passed the night in the Waldorf's presidential suite: Emperor Hirohito of Japan, President Nixon, Haile Selassie and Queen Elizabeth, to name but a few.

"And to think they let a rogue like me stay here," sighed Maxwell with obvious pleasure.

Observer will remember him well.

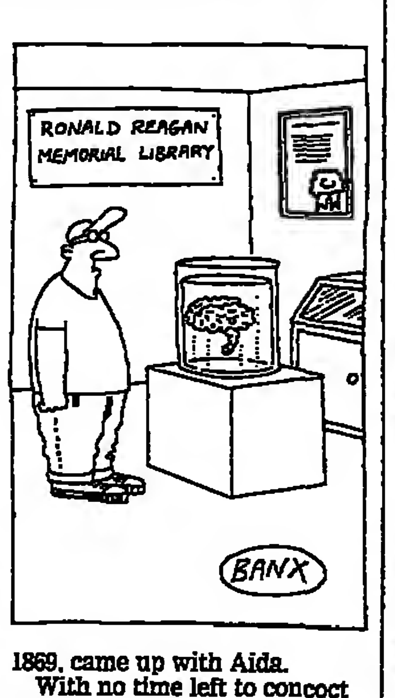
Epic enthusiasm

■ Lord Palumbo, chairman of the Arts Council, is clearly potty about the coming millennium. He is constantly coming up with ideas for celebrating the year 2000, ranging from cleaning up the cathedrals to a World Fair followed by another Festival of Britain.

His enthusiasm embraces the whole decade of the 1990s. He wants parties to mark such events as the fortieth anniversary of the Queen's accession next year to the advent of the Single Market in January 1993. Yesterday he proposed the commissioning of an artistic masterpiece to celebrate the opening of the Channel Tunnel.

His inspiration is Verdi who, on being asked to produce something to commemorate the Suez Canal's opening in 1869, came up with Aida.

With no time left to concoct an operatic epic Palumbo is hoping to commission a work from a contemporary classical composer, pointing out that "60 per cent of the important composers are British". Since he intends to get the French to co-operate, his chauvinism might be slightly excessive.



That's my boy

■ Wonder after wonder. Until Robert Altman became caught up in the BCCI affair, his main claim to fame was being married to television's "Wonder Woman", actress Lynda Carter. But now that the ex-president of First American Bankshares is under investigation by US prosecutors, it is his mother who has leaped forward to help him.

Altman, junior law partner of Washington fixer and former presidential adviser Clark Clifford, has been busy defending himself against charges that he misled US regulators. He insists he never knew of BCCI's secret control of First American Bankshares even though he was its president for nine years.

Meanwhile his mother, Sophie Altman, a tv game-show producer, has taken to telephoning journalists covering BCCI developments, and telling them her son is innocent.

When she called the Washington Post, its reporter told her that she had an obvious bias. "Of course," she replied. The Post then consulted Altman's official lawyer, who said *he* believed he was doing a good job.

"But you can never satisfy a mother," he added.

Bid'em up Baker

■ Kenneth Baker has never been backward in demanding extra money in the annual public spending negotiations. In the Treasury he long ago acquired the reputation of the spending minister who was "never knowingly underbid". Nor has the now Home Secretary ever been shy about publicising just how much a *skilful politician can extract* from the Treasury mandarins.

But even for a politician who likes living dangerously, he has gone a little too far in his quest for a favourable headline with yesterday's premature release of the double digit increase in his department's spending plans. This sort of embarrassing slip would never have been countenanced in Mrs Thatcher's day.

Would it be too much to expect a public reprimand for the presumptuous Baker in the preamble to today's autumn statement?

Legal aid

■ A rich lawyer, a poor lawyer and Father Christmas are walking down the road, and they see a five pound note on the ground. Which one pockets the note?

The rich lawyer, as the other two are figments of your imagination.

Nato members agree that it must be preserved, but are struggling to redefine its structure and strategy, write **Robert Mauthner** and **Lionel Barber**

An alliance still in search of a role

Nato will be facing its moment of truth at the annual summit of the organisation's heads of government in Rome this week. For more than a year the alliance has been thrashing around in a search of a new role and strategy following the end of the Cold War and the collapse of communism, which deprived it of a clearly identifiable ideological and military foe. It has been long on resounding declarations of political intent, but woefully short on practical measures to put these into effect.

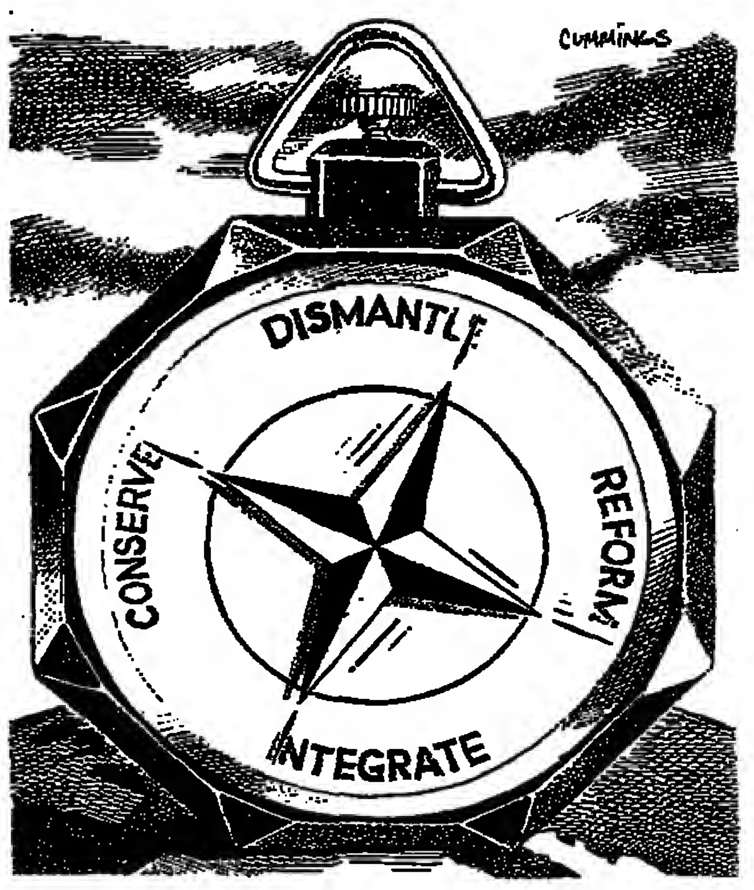
Partly, it is the rapidity of developments in the Soviet Union and eastern Europe which is at the root of the problem. There is a constant risk that a new strategy worked out laboriously over many months will be out of date by the time it is finally agreed.

Yet there is a remarkable consensus among member countries, even the least committed such as France, which withdrew from the alliance's integrated command as long ago as 1966, that Nato must be preserved in one form or another. The traditional adversary may have withered away, but the unstable political situation in the Soviet Union and some other parts of eastern Europe, such as Yugoslavia and Romania, are new threats to peace which, it is argued, continue to demand a firm and united western alliance. Moreover, its integrated command structure is still considered as the best guarantee for the long-term involvement of the US and Canada in the defence of Europe.

The difficulty of defining the possible threats which Nato faces have delayed the elaboration of a detailed new military strategy. Is Nato needed to guard against future threats from the east, such as a resurgent Russia, a nuclear-armed Ukraine or even a reconstituted Soviet Union led by a new strongman in Moscow? To what extent should it guard against threats on its southern flank, whether in the form of floods of migration or Islamic fundamentalism?

More progress has been made on elaborating the alliance's enhanced political role, particularly its new relationship with the Soviet Union and the new democracies of eastern Europe, than on its military strategy.

Having consistently rejected the requests for membership by some eastern European countries, such as Czechoslovakia and Hungary, partly so as not to upset the Russians, the heads of government are this week finally expected to offer the establishment of formal links between Nato and its former Cold War adversaries.



Though the initiative still falls short of offering membership or extending the alliance's security guarantees to any eastern European country, the US and Germany have proposed the creation of a "co-operation council", providing for regular meetings of Nato, Soviet and east European foreign ministers on a broad range of security problems. These would include such issues as the conversion of defence industries to civilian use, civilian control of military establishments and budgets and contacts between the various armed forces. The first such meeting is expected to take place in Brussels next month.

Significantly, the Soviet Union, which not so long ago was still demanding the dismantling of Nato to match the abolition of the Warsaw Pact, has welcomed the proposals in advance. France, too, appears to have dropped its opposition to a move which it basically sees as a usurpation of the role of the 38-nation Conference on Security and Co-operation in Europe, though it may have done so only for tactical reasons. The *quid pro quo*, it is said, is an undertaking that Nato leaders will seek to give the CSCE, which has been singularly unsuccessful in resolving the Yugoslav crisis, some more teeth.

The breakthrough on Nato's relations with eastern Europe, however, is in sharp contrast to the continuing deadlock over what has become known as Europe's "defence identity". The Nato negotiations on this problem have become inextricably bound up with the debate about the scope of political union in the run-up to the European Community's summit in the Dutch town of Maastricht next month. European defence co-operation has become such a sensitive issue because it affects the fundamental nature and role of Nato: whether it will remain the principal organisation responsible for Europe's defence and to what extent its European members can act independently of the alliance's integrated command without provoking a US disengagement from the alliance.

As so often before, the Nato conservationists – the US, Britain and to a lesser extent some smaller countries such as the Netherlands – are ranged against France in a debate which has become all the more acute now that the Cold War is over and EC negotiations on common foreign and defence policies are reaching their climax. The French have always objected to US domination of the alliance. Indeed, the Pentagon's control of Nato's integrated command was one of the reasons behind France's withdrawal from this structure. But the dividing line between France and the other European members, with the exception of the UK, is less sharp than it used to be.

Most member countries, including Germany, would like to have it both ways: to conserve Nato and its strong links with its North American members and to give Europe a more pronounced role in its own defence. That, too, is the US position – in theory. But the two objectives are not easily reconcilable in practice, as the sharp exchanges over the merits of two rival plans – one British-Italian and the other, Franco-German – have demonstrated.

The US, according to a senior Washington official, would like to see a compromise emerge on the basis of the British-Italian plan, under which Europe's defence identity would be embodied essentially by the nine-nation Western European Union, all of whose members also belong to Nato. A rapid-reaction force to be set up under the aegis of the WEU would be employed in peace-keeping operations only outside the alliance's area, and thus would not impinge on Nato's responsibilities for European defence.

Washington's and London's main objections to the Franco-German plan are two-fold. Though the plan also proposes the WEU as the expression of Europe's defence identity, it sees this organisation as becoming "an integral part of the process of European union", implying that a common defence policy would eventually be elaborated in the EC's institutions rather than in Nato. Moreover, the "European corps" which would be set up under the plan would be able to operate within as well as outside the Nato area, thus virtually duplicating Nato's tasks.

There is no real prospect that this problem, important though it is for the alliance's future strategy, will be settled at the Nato summit. The final communiqué is likely to fudge the issue, pending the outcome of the Maastricht conference.

On military strategy the picture also remains blurred, with many officials and observers feeling that Nato has put the cart before the horse. New force structures, such as the British-led rapid-reaction force agreed by ministers last spring, and unilateral defence cuts have been announced before the political and military threat to the alliance has even been formally defined.

Yet for all intents and purposes, the old doctrine of massed "forward defence" against a Soviet attack on the central European front has already been abandoned in favour of a strategy based on highly mobile, multinational forces which can be deployed at short notice anywhere within the territory of the alliance. US conventional forces in Europe are due to be drawn down to 150,000 by 1994, considerably less than half their strength at the height of the Cold War. And last month, Nato defence ministers agreed on nuclear arms cuts which will reduce the alliance's stockpile of tactical nuclear weapons in Europe by 80 per cent and halve the US's and Britain's nuclear aircraft bombs.

In spite of all the cuts to be made by the US, Mr Bush is coming to Rome with the firm intention of reiterating his administration's loyalty to Nato and involvement in Europe's defence. But he has lately been criticised at home for spending too much time on foreign policy and will need to be reassured that his European partners are equally attached to the alliance. If the European allies falter in their resolve and strike out on too independent a path, there can be little doubt that Nato's very survival will be threatened.

Edward Mortimer

Scotland on the Danube river

Slovaks feel about Czechs as the Scots feel about the English. But separation could be unpleasant

FOREIGN AFFAIRS

Czecho-Slovakia. I shall spell it like that in future – if I need to go on spelling it at all.

Two and a half days spent in Bratislava, the Slovak capital, last week were enough to convince me that the hyphen and the capital S are important, just as time spent in Edinburgh should cure one of using "England" as a synonym for "Britain".

The parallel is not a bad one. The 4½m Slovaks are not so heavily outnumbered by the Czechs as the Scots are by the English. But they have the same feeling of being swindled of their inheritance and concealed from the world by a big brother with whom they have to share a house.

There are the same arguments about promises made at the time of union and not kept, about who has benefited and who has lost. Slovak nationalism, like Scottish, is fuelled partly by economic grievance – not allayed by demonstrating that the net annual transfer of resources is heavily in the poorer nation's favour, or that the economic destinies of the two have converged rather than diverged over time.

It is present misery, and fears for the immediate future, which count. The great fear is unemployment, and there is a telling discrepancy between the figures for the two republics: 3 per cent in the Czech lands, 8 per cent in Slovakia.

That discrepancy is blamed on decisions made in Prague: first by the communist regime, which endowed Slovakia with certain types of heavy industry; and now by the new one, which has shut down production of Slovakia's most internationally competitive product (weapons) and is letting the less competitive ones fall victim to market forces.

The Czecho-Slovak state is not as old as the Union of England and Scotland. In Bratislava I witnessed the official celebration of the 73rd anniversary of its founding: a distinctly low-key affair. President Vaclav Havel laid a wreath at the monument to the foundation of the state, followed by the prime ministers of the federation, and of both its republics, but ignored by the local people.

Later a meeting was held to welcome him in the central square where two years ago the great demonstrations for democracy took place. It was sponsored by Public Against Violence, the movement which organised those demonstrations, but which is now a political party, junior partner in the Slovak coalition government led by the Christian Democrat Jan Carnogursky.

The few thousand who turned out to express support for continuance of the federation – a position which still has majority support in Slovakia, according to opinion polls – had a distinctly embattled look. Their banners called for "tolerance" and even "politeness". They were not outnumbered, but almost outshouted, by a counter-demonstration of Slovak nationalists supporting some young men who had gone on hunger strike to demand the imposition of the Slovak language throughout Slovakia (including areas inhabited by the Hungarian minority).

The Slovak premier believes that Slovakia must one day have its star on the EC banner

These counter-demonstrators pointedly failed to observe two minutes' silence requested by the president to honour those who had given their lives for the common state. Some of the Slovak police, who had made no attempt to separate the two groups of demonstrators, could be seen smirking while this was going on. Mr Havel left immediately afterwards, without making a speech, while his supporters furiously demanded the resignation of the Slovak interior minister who, like Mr Carnogursky and all his Christian Democrat colleagues, was conspicuous by his absence.

Mr Carnogursky himself, a devout Catholic lawyer who was imprisoned by the communists, seems sincere in his desire to keep the federation alive, although he makes no secret of his belief that Slovakia must in due course "have its own star" on the blue banner of the European Community. (Compare the "Scotland in Europe" slogan of the Scottish National Party.) His economic views are similar to those of Mr Vaclav Klaus, the Thatcherite federal finance minister, and he has brought in young advisers from London's Adam Smith Institute.

But his party contains a strong nationalist wing, and he is holding out for a loose federation of two equal and effectively sovereign states, which most Czechs find it impossible to accept. Many liberal and secular-minded Slovaks fear that if the talks break down the majority in the Slovak parliament will proclaim independence as a fait accompli. In their view that would mean a separate Slovakia run by the Catholic church, with a strong subtext of anti-semitism. Some say that if it happens they will emigrate to the Czech republic.

Few people imagine that Czechs would behave like Serbs, and send the federal army to try to prevent Slovak secession by force. Nor does the Hungarian government advance any irredentist claim to Slovak territory. But it could come under pressure to intervene if the Hungarian minority in Slovakia appeared to be victimised.

The fate of Croatia has made some Slovaks think about the need to take minority views into account before plunging into secession. Even to those who stress their "eastern" character, as distinct from the Czechs, a central European destiny must surely now look better than a Balkan one.

LETTERS

A problem for the regulators

From Mr Anthony F Raikes.

Sir, Steps being taken by the government to penalise institutional investors who sell unusually large blocks of BT shares ahead of the price fixing for the forthcoming offer for sale in the expectation of buying them back again more cheaply through the offer ("Watch kept for BT sale 'arbitrage'", November 4) surely pose an interesting problem for the regulators.

It must also come as a surprise to defendants in the current Guinness and Blue Arrow trials who stand accused (inter alia), of entering into transactions which resulted in shares being quoted in the stock market at a higher level than would otherwise have been the case – in other words, of creating a false market.

Having announced a long time in advance that the BT offer price would be fixed by reference to market prices prevailing at the time, the government has made itself a hostage to market forces. For a government that installed the concept of "free markets" at the centre of its philosophy it seems strange that it should be taking steps, which, if implemented, could result in BT shares being quoted at a price higher than might otherwise be the case to the detriment of small shareholders – the people whose interests they are anxious to promote and defend.

To the question "When is it permissible to create a false market?" it appears that the answer is "When government revenues are at stake".

Quis custodiet?

Anthony F Raikes,
Tower Mill,
Mark Cross,
Nr Crowborough,
East Sussex

'Flawed' comparisons in analysis of BT profits

From Mr Malcolm Argent.

Sir, Your article, "A lot of money on the line for BT" (November 1), asserts that BT's profits are considerably above average. The supporting analysis rests heavily on comparisons with a number of telephone operating companies around the world and with UK companies more generally. Both sets of comparisons are fundamentally flawed.

For example, none of the US regional Bell operating companies, which, unlike BT, are local monopoly operators, provide long-distance and international services. That, among other things, distorts comparisons of lines per employee, profit per line, risk and return on capital. Moreover, US operating companies have a history of higher capital investment than BT, partly because of high labour costs and partly because of the rate-of-return-type regulatory regime. That again distorts rate of return as well as lines per employee comparisons.

More broadly, US interest rates and inflation rates have generally been lower than those in the UK. This feeds through not only into lower US costs of capital and rates of return, but also results in a relatively higher capital base at historic values, again producing lower rates of return in the US.

Both in the UK and US, companies use a variety of means by which rates of return are calculated. The results can vary significantly, making simple comparisons very difficult indeed. For example, if BT's rate of return were measured using the US generally accepted accounting principles, this adjustment alone would reduce its measured rate of return to below 20 per cent.

As for UK companies, figures produced by Datastream and published by BZW in September show BT's rates of return over a five-year period (including 1990) as in the middle of the range of the leading UK industrial companies. Taking just one year, as the article has done, can also be unrepresentative.

These are just some of the factors of which account needs to be taken before comparisons of this kind can meaningfully be made, if it indeed is at all possible.

The article rightly says that the tabloid ritual of calculating BT's profits in terms of pounds per second is clearly crude. Unfortunately the writer seems to have dazzled himself by relying on one stockbroker's data which, inevitably because of its summary nature, cannot be relied upon to produce true comparisons.

We maintain that a more relevant international comparison capable of more objective evaluation is prices for the consumer. BT's prices stand up well to comparison with those offered by major operators in North America and western Europe. BT has also improved its quality of service out of all recognition since 1987, backed by a customer service guarantee scheme which we believe to be unmatched by any major overseas telephone company.

Malcolm Argent,
group director and secretary,
BT
BT Centre,
81 Newgate Street,
London EC1A 7AJ

Local taxation is not truly local

From Mr Colin Farrington.

Sir, Your otherwise excellent leader on local taxation (November 4) omits one key area in which policy is presently short-sighted.

Following the 1991 Budget and the increase in central government grant to local authorities financed by raising value added tax, the percentage of local authorities' spending financed by own taxation has fallen to below 20 per cent.

There is nothing in the "council tax" bill to alter that relationship. Indeed, the comprehensive capping powers being taken by the secretary of state for the environment in the bill, to cover even the smallest districts, will presumably be used to tighten controls even further. The net result is the well-publicised "gearing" effect whereby every local authority decision to raise spending by 1 per cent will require a 5 per cent increase in the local tax.

The Labour party's pledge to restore the business rate to local authority control will mitigate over time the more extreme "gearing" effects; but neither party appears truly committed to establishing a local taxation system which guarantees an independent operation to local government by giving it a distinctive tax base secure from the whims of its bigger partner.

Maybe this requires further structural change or a move to a structure more common in the rest of Europe, with local government being financed by more than one tax and/or by an assigned share of national revenues.

Relief at the introduction of a sensible property-based alternative to the community charge must be tempered by the realisation that these bigger issues have at best been held over.

Colin Farrington,
Institute of Revenues Rating and Valuation,
41 Doughty Street,
London WC1

Perpetuating a wage issue fallacy

From Mr R Jones.

Sir, Your leader comment ("Dodging the pay issue", October 31) only deals with one aspect of the equation regarding wages, prices and unemployment. To suggest, although implicitly, that the wage issue is the sole determinant of lost output and high unemployment is to perpetuate a fallacy that has become entrenched in the eyes of many commentators. The Bank of England Quarterly Bulletin (August 1991) shows that company dividend payouts to shareholders rose by 17 per cent in 1990, following rises of 27 per cent and 33 per cent in 1989 and 1988 respectively. The dividend payout ratio (ratio of dividend payments to total income, after deducting tax and interest payments) rose to 56 per cent in the fourth quarter of 1990 and 64 per cent in the first quarter of this year. This at a time of deep recession. Thus, other company policies, other than rewarding the workforce, play a major role in squeezing profits, reducing investment and exports and leading to increases in unemployment.

One can only hope that leader writers and government ministers will bear this in mind when extolling the virtues of wage restraint to a sector of society which is, after all, responding to inflation.

R Jones,
97 Cavendish Road,
Cambridge

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Wednesday November 6 1991

Production restarts at French car-maker after riot police sent in

Renault talks open as strike blockade ends

By William Dawkins in Paris

NEGOTIATIONS started yesterday at Renault, the French state-owned car-maker, after riot police forced open a blockade by strikers at the group's main gearbox and engine plant, allowing production to restart at a reduced rate.

Renault said the talks, helped by a government mediator, were taking place in a "constructive climate". A picket at the plant at Cléon was lifted following the early morning raid by police. The 20-day stoppage is the worst in the French car industry since the seven-week strike at Peugeot, Renault's private-sector rival, two years ago.

By the start of this week, Renault had lost the equivalent of 10 days' full output – 70,000 cars which would have earned FFr1.4bn ($240m) – in operating profits, said Mr Michel Praderie, a senior Renault director. The strike, mainly confined to Cléon, had forced Renault temporarily to lay off or shorten the hours of 50,000 assembly workers due to a shortage of parts, and forced suppliers to do the same for 30,000 employees.

Mrs Martine Aubry, the labour minister, said the government had decided to use riot police simply to enforce a court injunction against the blockade at Cléon. Just as there was a right to strike in France, so there was a right to work, she said.

Workers had started to trickle back into Cléon by mid-morning, allowing production to begin at a fraction of the normal rate by the afternoon, said Renault. Output also restarted at an axle plant at Le Mans, which was blocked by pickets sympathetic to the CGT, the Communist-led union which mounted the action. The pickets at Le Mans allowed workers access to the plant and gave up their blockage against vehicles.

Production also began to get under way at the Flins assembly plant for the new Clio hatchback, and at the Sandouville factory for Renault 21 and 25 medium and large saloons.

Riot police outside the Renault plant at Cléon, western France, where they broke a blockade by striking workers

Renault's other main car plants at Douai and Maubeuge in northern France and Vilvoorde in Belgium were expected to start production from today, said the group. It would take longer for output to restart at Volvo's Dutch plant, which used Renault engines in its 400 series, Renault said.

Congress moves to salvage US bank reforms

By George Graham in Washington

THE US Congress yesterday began its efforts to salvage banking reform legislation following the collapse of a first attempt in the House of Representatives on Monday.

The House banking committee will meet this morning to vote on a narrow version of the legislation, after a broader version was defeated by 324 votes to 89 on Monday, and the full Senate was due to begin discussion of its draft bill last night.

The defeated bill would have gone some way towards the demands of the Bush administration for far-reaching reforms designed to improve banks' profitability by repealing the 1933 Glass-Steagall Act and so allowing them to enter new areas of the financial services industry such as securities and insurance.

But Democratic leaders in the House had added so many restrictions to the new powers that the administration ended up arguing against the bill it had itself originally proposed.

In the final vote, a majority of House Democrats joined the Republicans to reject this hybrid bill, which satisfied no one.

The banking committee is expected to begin by examining an extremely limited bill to recapitalise the bank deposit insurance fund, which is expected to run out of money early next year because it has had to pay out to depositors in so many failed banks, by allowing it to borrow up to $30bn from the Treasury and to increase its working capital.

Mr Henry Gonzalez, the Texas Democrat who chairs the banking committee, said: "The House has rejected the administration's proposal to expand bank powers and we must now place a priority on making certain that the insurance fund is solvent.

"Secretary of the Treasury Nicholas Brady has to face the fact that a comprehensive set of powers expanding the banks' geographical and product horizons was defeated overwhelmingly," Mr Gonzalez said.

Mr Brady claimed that Monday night's vote meant exactly the opposite, and said the House had demonstrated it did not want to recapitalise the insurance fund without comprehensive reforms of the underlying banking system.

While Mr Gonzalez will propose only the narrow replenishment of the deposit insurance fund, other banking committee members may propose that other less controversial provisions of the bill that was defeated on Monday should be added.

These could include a measure to allow banks to open branches freely outside their home states, which won broad support during debate on the House floor.

Attempts to allow banks to expand into the securities and insurance businesses, however, are expected to be dropped.

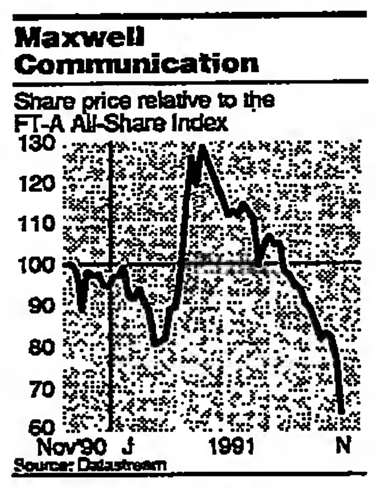
The Treasury's last hope of restoring this measure is for the Senate to agree to it, and for the House-Senate conference to accept the Senate version when it meets to reconcile the two bills.

THE LEX COLUMN

Maxwell's tangled legacy

The death of Mr Robert Maxwell leaves one of the world's biggest media empires in an extraordinary state of suspension. In asset terms, the business is solid enough. Indeed, a number of assets have lately been sold above book value. The trouble is rather that no outsider – including, one suspects, the banks – has a wholly clear picture of the empire's total liabilities. Indeed, given the huge complexity of Mr Maxwell's affairs, one might even ask whether the range of his activities was fully grasped by any individual other than himself.

FT-SE Index: 2,540.9 (+13.1)



The immediate question is what happens to the share prices of Maxwell Communication and Mirror Group Newspapers when they return from suspension. This is not as merely technical as it sounds. Some 20 per cent of the equity in MGN, and perhaps a similar amount in MCC, has been pledged as collateral against loans. At the same time some of the loans to MGN, for example, come into default if the stake held in MGN by Maxwell interests falls below 50 per cent.

Meanwhile, the various complex schemes for fund raising – the mooted US demerger of MCC and so forth – seem further off than ever. Plainly, there is more to the Maxwell empire than the driving force of its founder. Equally, however, its form is the unique expression of a highly complex personality. As such, its future shape must now be more obscure than ever.

BT sale

Not one, but two discounts: the government is certainly doing its best to make the BT secondary sale irresistible to small investors. In addition to share shop vouchers and an opening discount (as yet unknown) to the price bid by the institutions, punters are being offered a hefty reduction of 8 per cent as an incentive to hold their shares until the final instalment. Assuming the retail market is allocated half the £5bn sale, the discount on payments is worth up to £200m, which by any standards is a hefty bribe. It is unlikely that the initial discount will be less than 5 per cent, or another £125m. Perhaps it would have been simpler and cheaper to underwrite the issue after all.

If the strategy seems clear enough, so does the implication that the institutional sale is not going swimmingly. That is reinforced by tales from institutions furious that their present freedom to sell BT shares in the market has been interfered with by threats from government advisers trying to stop the price falling ahead of the sale. Ominously for the taxpayer, the same institutions will be free to make low bids for stock when it comes to the tender offer.

It looks like another case of the government making up rules for a sale of public assets as it goes along. It may now feel forced to do so, because investing in such assets is a risky business when an industry regulator is waiting in the wings. Small investors should ask themselves whether they would buy BT shares without a discount. The company's recent results were scarcely a glowing recommendation.

US banks

First reaction to the failure of efforts to reform US banking is to heave a sigh of relief. Diversification into the securities business, even insofar as it is allowed at present, is by no means a panacea, as sickly institutions like Citicorp and Security Pacific can testify. In that regard, the House of Representatives has probably saved US bankers from themselves.

The irony is that the bankers and the Administration decided to kill the House bill because it placed so many restrictions on the freedoms it conferred. But the debacle is a clear indication of the low esteem in which financiers are held on Capitol Hill. It will now be difficult to re-activate separate legislative provisions which would permit interstate branching – an important change because it would promote regional diversification, add to the potential savings from mergers and thereby enhance the industry's ability to attract badly-needed capital. According to some estimates, US bank profits would have been many billions of US dollars higher last year if full interstate branching had been allowed. Highly material, when the industry made less than $20bn in aggregate.

Some banking legislation will have to pass this year, if only to top up the depleted deposit insurance fund. The legislative window is thus still open for interstate branching. Once closed, however, it is unlikely to open again before 1993 at the earliest. That would leave US banks even further behind in the race for global competitiveness.

Building societies

The bailing out of Town & Country over the weekend may be of more than passing interest to UK life insurance companies. Talk of building society consolidation – through mergers or outside bids – comes at a time when the life industry is engaged in a fierce battle to find new sales outlets for its products. Lloyds Abbey Life and the TSB, which have a far better hit rate in selling policies than most of their competitors, have already shown that controlling distribution will be key to success in the 1990s.

The trouble is that the list of possible banking partners for the insurers is getting shorter. Most have decided on a strategy, while haggling over the terms has apparently frustrated more than one would-be alliance. Allied Dunbar, for example, might now be linked to Barclays if either the bank or Allied's parent, BAT, had been prepared to settle for just 49 per cent. Given the diminishing options, several insurers – notably the Prudential – have apparently cast an eye over the valuable nationwide networks of the bigger societies.

A hostile bid for a mutual society seems out of the question, but there is no need to rule out friendly deals. On job security grounds alone, the management of a wobbly society might be more eager to throw in its lot with a life company than with a high street rival which simply absorbed its business. With the Pru pouring money into its US subsidiary and Legal and General washed by the mortgage guarantee tide, though, the difficulty is spotting a predator with sufficient shareholders' funds or stock market credibility to make more than a medium sized move.

UK foreign secretary indicates willingness to make some compromises

Hurd hopeful on political union talks

By David Gardner and Ronald van de Krol in The Hague

MR Douglas Hurd, the British foreign secretary, said yesterday there was "a real chance of success" at next month's Maastricht summit if all 12 EC partners concentrate on "substance not procedure".

On the most sensitive issues of the political union talks, Mr Hurd said: "I don't think we're beyond reach" on agreeing a common foreign and defence policy. He also signalled willingness to look at compromises on granting greater powers to the European Parliament, and on an extension of EC power and majority voting in the Council of Ministers.

He was confident of a deal on economic and monetary union, but repeated that there was no question of committing the UK to a single currency at Maastricht, about which "we are deeply sceptical".

In a conciliatory speech, Mr Hurd sought to explain away Britain's more bellicose recent statements on the treaty talks and on EC interference in what the government sees as areas outside EC control, by pointing to what one British diplomat called "our proof-reading role".

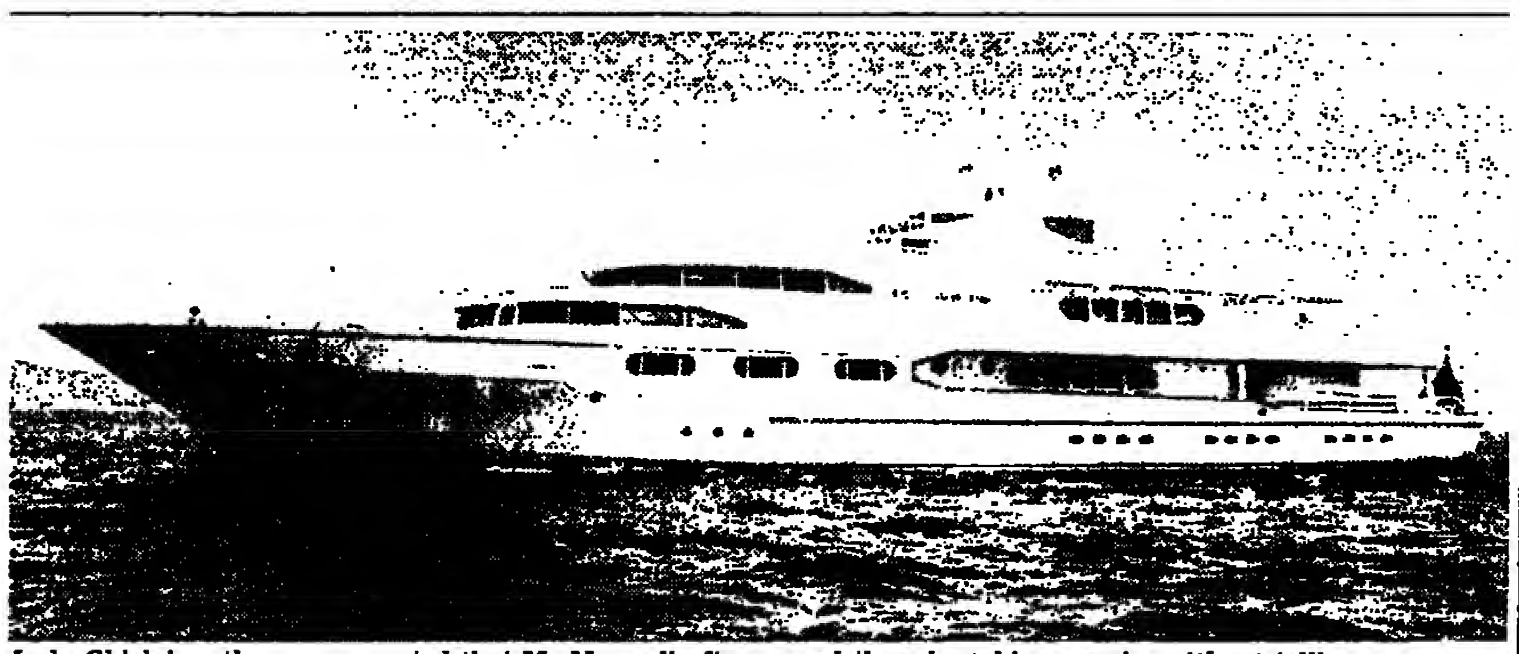
"It has sometimes been the awkward but necessary role of Britain to ask the practical questions about the effect of a policy before it is agreed, when other have been ready to sign first and ask after. I doubt if Europe would be well served if nobody did that job," the foreign secretary said.

Mr Hurd was addressing the Atlantic Commission, the independent foreign policy forum, in The Hague, in a wide appraisal of EC developments which dwelt longest on foreign policy and defence.

EC mediation in Yugoslavia showed, he said, that "we are working together more wholeheartedly than at any previous time I can remember." But this had come about, not as "the result of the swapping of texts or the negotiation of new treaties", but as "our common response, willingly entered into, to a crisis at our gates."

Referring to the recent rejection by 10 members of Dutch presidency plans to bring foreign and defence policy and internal security policy like immigration under the EC's Treaty of Rome, Mr Hurd said "we won that argument a few weeks ago, the federalists lost." Alison Smith writes: At Westminster, Mr John Major, the prime minister, was challenged on economic and on political union, as he insisted that he would sign a deal at Maastricht only if it would be acceptable to the House of Commons and the UK.

Deal in his own image, Page 2
UK Parliament, Page 9



Lady Ghislaine: the crew reported that Mr Maxwell often scared them by taking a swim without telling anyone

Publisher Robert Maxwell drowns at sea

Continued from Page 1

day morning at Los Cristianos in calm weather. Mr Maxwell had been the only passenger on the vessel.

Ten minutes after being last seen, Mr Maxwell phoned the bridge to ask for the air conditioning to be turned down and the crew assumed that he had retired for the night.

When a call from New York was relayed to his stateroom at 11am, there was no reply. The captain, Mr Gus Rankin, went to his cabin, found him missing and ordered a search of the ship.

Mr Robert Pirie, president of Rothschild Inc and Maxwell's principal investment banker, said he had tried unsuccessfully to telephone Mr Maxwell yesterday morning.

Mr Neil Kinnock, the Labour leader, was among the first politicians to pay tribute to Mr Maxwell, who represented the party as MP for Buckingham between 1964 and 1970.

He described Mr Maxwell as "a unique figure who attracted controversy, envy and loyalty in great measure throughout his rumbustious life. He was a steadfast supporter of the Labour party and a man with genuine commitment to the advancement of the British people."

Mr John Major, the British prime minister, said Mr Maxwell was "a great character" who had given him "valuable insights" into the attempted coup in the Soviet Union last summer.

The death of Mr Maxwell cast serious doubts over the future of his business empire.

Mr Bob Keen, in charge of loans to Maxwell companies from the Midland Bank, one of the group's main banks said: "We regret enormously Mr Maxwell's disappearance. We want to stay calm, the banks will wish to meet soon with the Maxwells – probably all banks together – and will need to take a long term view."

Another of the group's bankers said Mr Maxwell's death was likely to precipitate a restructuring of group debts. MCC alone is believed to owe banks about £1.2bn.

Mr Maxwell faced the latest controversy in his stormy life two weeks ago with the publication of allegations that he and the foreign editor of his Daily Mirror newspaper had had close ties to Israel's intelligence services.

Soviet debt crisis looms

Continued from Page 1

it is understood that there are no pre-arranged measures to put into effect.

Among moves under consideration is a stand-by credit for the Soviet Union from the Bank for International Settlements, the Basle-based central bankers' bank. Another option, advocated by the US has been deferring the repayment of the principal of the Soviet debt.

Two factors look set to trigger action on liquidity assistance: the crisis facing Vneshe-conombank in servicing the debt and the conviction among the G7 that the main Soviet republics will stand by their agreement to take joint responsibility for the debt, despite in some cases having to discuss it with their parliaments.

The G7 deputies scheduled today's meeting while visiting Moscow at the end of October.

Serbia rejects revised EC proposals to end civil war

Continued from Page 1

The Hague broke up in disarray. Lord Carrington, the EC's chief mediator, said that if there was no sign of compromise by Friday, he would recommend to EC foreign ministers he is meeting in the margins of the Nato summit in Rome that the conference be adjourned.

It is also likely that the question of imposing the EC's sanctions will also be discussed in Rome. The sanctions include the suspension of virtually all trade with and aid to Yugoslavia, and the possibility of a UN-backed oil embargo.

Lord Carrington was careful not to exclude the possibility of agreement, although senior diplomats at the conference were pessimistic.

They also acknowledged concern that the main players in the Yugoslav crisis were losing too much power to radical nationalists on both the Serb and Croat sides to be able to guarantee any settlement.

"It became more and more apparent that it was increasingly difficult to continue with the conference while the violence continues at current levels," the former UK foreign secretary said.

Mr Milosevic said later: "I cannot find any legal reason for sanctions just because of the fact that we can't agree to the abolition of our country."

The conference broke up after Mr Milosevic rejected as insufficient amendments Lord Carrington made, essentially to allow Serbia and its allies to form a common state if they wished to do so. Serbia's counter-amendments, backed by Montenegro, were in turn rejected by the other four republics.

Lord Carrington's suggestion allowed for a "common state of equal republics for those republics which wish to remain a common state".

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	18	61
Algiers	F	29	84
Amsterdam	R	7	45
Athens	S	20	68
Bahrain	S	32	90
Bangkok	F	33	91
Barcelona	F	18	81
Beirut	F	22	72
Belfast	F	5	41
Belgrade	F	10	50
Berlin	C	7	45
Biarritz	C	13	55
Bombay	S	32	90
Bordeaux	C	10	50
Boulogne	C	7	45
Brussels	R	6	43
Budapest	C	11	52
Buenos Aires	F	23	73
Cairo	S	23	73
Cape Town	S	24	75
Caracas	C	27	81
Casablanca	F	20	68
Chicago	S	-6	21
Cologne	R	8	46
Copenhagen	C	7	45
Corfu	F	20	68
Dallas	S	-2	28
Dublin	S	6	43
Dubrovnik		-	-
Edinburgh	S	5	41
Faro	F	18	64
Florence	C	16	61
Frankfurt	C	9	48
Geneva	F	8	46
Gibraltar	S	17	63
Glasgow	S	6	43
Helsinki	C	7	45
Hong Kong	S	24	75
Innsbruck	F	13	55
Inverness	C	5	41
Islamabad	F	[illegible]	[illegible]
Istanbul	S	14	57
Jakarta	C	32	90
Jersey	F	8	46
Johannesburg	F	26	79
Lima	C	29	82
Lisbon	F	16	61
London	F	7	45
Los Angeles	S	16	61
Luxembourg	C	5	41
Madeira	C	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Majorca	[illegible]	[illegible]	[illegible]
Malaga	S	[illegible]	54
Malta	[illegible]	[illegible]	[illegible]
Manchester	[illegible]	[illegible]	[illegible]
Manila	[illegible]	[illegible]	[illegible]
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	-	-
Miami	F	17	63
Milan	[illegible]	7	45
Montreal	[illegible]	-4	25
Moscow	C	2	36
Munich	[illegible]	8	46
Nairobi	[illegible]	[illegible]	[illegible]
Naples	C	18	64
Nassau	[illegible]	23	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]
Nice	C	20	68
Nicosia	S	20	68
Oporto	F	15	59
Oslo	R	4	39
Paris	F	7	45
Peking	C	8	46
Prague	C	7	45
Reykjavik	R	4	39
Rhodes	S	18	64
Rio de Janeiro	F	25	77
Rome	F	19	66
Salzburg	F	8	46
San Francisco	S	9	48
Seoul	S	14	57
Singapore	F	29	84
Stockholm	C	7	45
Strasbourg	C	8	46
Sydney	S	24	75
Taipei		-	-
Tangier	F	18	64
Tel Aviv	F	18	64
Tenerife	F	24	75
Tokyo	S	17	63
Toronto	C	-5	23
Tunis	F	24	75
Valencia	S	19	66
Venice	C	10	50
Vienna	S	12	54
Warsaw	F	10	50
Washington	S	-3	27
Zurich	C	7	45

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

VENTURE CAPITAL

The industry suffered its first setback in 1990 after a decade of growth, writes **Charles Batchelor.** Venture capitalists are having to devote a large part of their time to managing their portfolios as investee companies come under pressure from the recession

A time to reassess

THE storm clouds which began to appear on the venture capital horizon in 1990 have continued to mass during the past 12 months. Most of the gauges by which the industry measures its performance – funds raised, sums invested and portfolio valuations – have continued to fall back.

After a decade of growth, when venture capital established itself as *the* fund-raising mechanism of the enterprising 1980s, the industry is now having to accustom itself to slower rates of expansion – even to retrenchment. "We are in for a very austere period," says Mr Jon Moulton of Schroder Ventures. "The industry is beginning to shrink."

"The UK venture capital industry is a mature industry," comments Mr John Brakell, venture capital manager at Postel Investment Management, in charge of Post Office and BT pension funds. "There will be a sorting out."

The unquoted companies backed by venture capitalists have been particularly hard-hit during the recession since they lack the financial and management resources of larger quoted companies. Some have failed and many have seen earnings slashed. The decline in acquisition activity has meant there have been fewer buyers for these companies, so venture capitalists have had to hold on to investments longer, reducing their annual rates of return.

The downturn in the UK is part of worldwide reassessment of venture capital. The US, the birthplace of the industry, was the first market to experience a falling-off in activity, while continental Europe, where venture capital is less developed than in the UK, has also experienced a setback.

Fund-raising in the US has fallen back for the past three years and dropped a further 45 per cent to just \$541m in the first half of 1991. Investments by US venture funds fell 43 per cent to just \$1.9bn (£1.17bn) in 1990 and were for the first time ever lower than spending levels – of £1.39bn – in the UK, according to Venture Economics, a specialist research company. (However, unlike the UK, the US does not include management buy-outs in its venture capital statistics.)

In Europe the venture capital industry raised Ecu4.58bn (£3.2bn) in 1990, 21 per cent less than the year before, according to the European Venture Capital Association. The UK's fund-raising contribution was £1.4bn, 36 per cent less than the year before. Investments also fell, by 3 per cent to Ecu4.13bn (£2.9bn) in Europe as a whole and by 22 per cent to £1.3bn in the UK alone. The three most highly developed European markets, the UK, France and the Netherlands, took the brunt of the downturn.

These setbacks have prompted the industry to reassess its role and its image. The British Venture Capital Association (BVCA) has commissioned two surveys, one to establish what businessmen, bankers, accountants and lawyers think of venture capital, and the other to collect the views of entrepreneurs who have raised venture capital for their businesses. The results were due to be announced later this month.

The main problem facing the industry is that it has performed less well than it promised in the more buoyant 1980s. Prospective returns of 30 to 35 per cent were commonly dangled before eager investors. But even management buy-outs, which for a long time defied gravity by delivering low risk and high returns, have produced their share of problem deals.

Postel's Mr Brakell believes that those performance expectations were "naive and unreasonable" and were based on a buoyant period in the US market for initial public offerings (stock market flotations) in the early 1980s. That bubble burst when venture capital funds raised in 1983 performed poorly.

Postel's returns on its venture capital investments in 1990 were lower but, compared with leading British and US stock market indices, were still "quite heartening", says Mr Brakell. The prices of small quoted companies have also been marked sharply downwards, notes Mr Adrian Beecroft, chairman of the BVCA and a partner of Apax Partners (formerly Alan Patricof Associates).

"The definition of what is a high level of return has changed," comments Mr Ronald Cohen, chairman of Apax. "Now people expect 8 to 9 per cent from risk-free investments and 13 per cent from the stock market. If venture capital can return 16 per cent after costs have been met – 23 to 24 per cent before costs – then it still represents a very useful area of activity."

Venture capital may still be able to outperform other categories of investment, but the reduction in expectations has caused many investors to pause for thought. "I don't believe there is a single institution which has not looked at its venture capital investments and asked: 'Is this for us?'" says Michael Proudlock, in charge of venture capital at Granville & Co.

This decline in real investment values has coincided with the introduction by the industry of a set of valuation guidelines intended to establish roughly comparable measures of performance.

Many of the venture funds which did not already meet the valuation standards have since moved into line. But the impact on some of the listed investment trusts specialising in venture capital investments has been dramatic. Renaissance Holdings called in the administrative receiver shortly after restating its year-end results to reflect the new rules, while several have reduced the net asset values of their balance sheets.

An important factor in the decision to introduce valuation guidelines was pressure from institutional investors keen to iron out the inconsistencies in their unquoted portfolios. The institutions, grouped in an informal club known as the Venture Investors' Circle, have continued to focus their attention on the size of the remuneration packages negotiated by the venture capitalists. They are maintaining their scrutiny of the level of management fees and the share stakes in portfolio companies taken up by the venture funds.

Some venture capitalists believe that this concentration on the terms and conditions of partnership agreements threatens to stifle the entrepreneurial spirit of the industry. "The UK industry has become institutionalised," says David Quysner, a director of Abingworth Management. "Something has been lost."

But all the signs are that the scrutiny of the venture capital sector is set to increase. US-style gatekeepers (see page 7) have set up shop in the UK. At worst they interpose another layer of bureaucracy and fees between the institution and its investments, but they can help institutions make sensible investment decisions.

In addition, the move towards greater consistency in the venture capital industry is unlikely to stop at valuations. The next logical step is for these valuations to be used as the basis for drawing up performance statistics. Many in the industry regard this with trepidation fearing that it would expose the laggards.

But performance statistics could also discriminate against early stage investments which cannot be judged by conventional accounting formulae. This could result in the venture capital industry devoting even less money to start-ups than it already does.

Performance measures clearly need to be handled with care. But there is little doubt that the venture capital industry is moving out of its carefree youth into a more responsible period of maturity. Maintaining a balance between entrepreneurial flair and sensible self-regulation will be the challenge of next decade.

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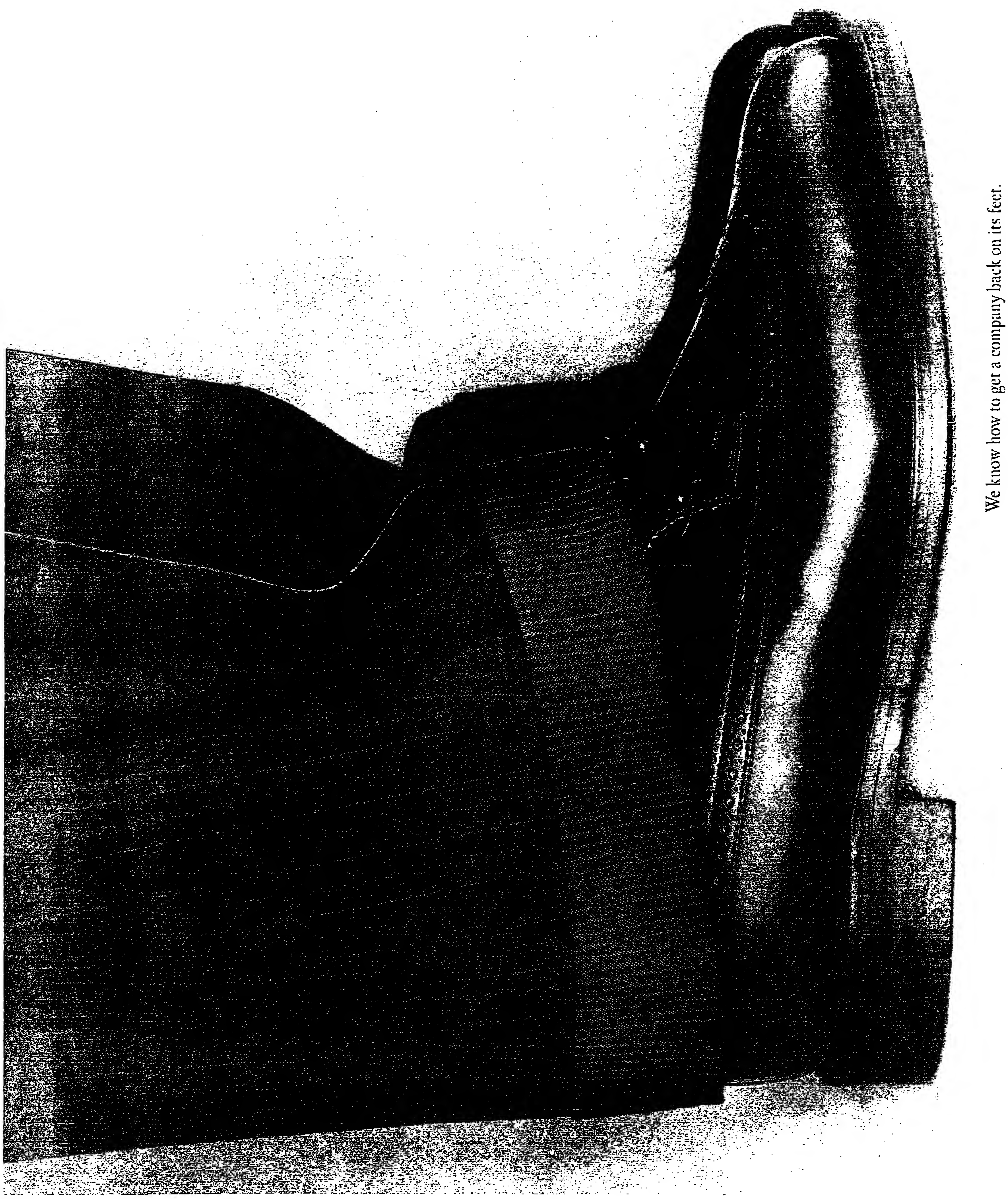

We know how to get a company back on its feet.

VENTURE CAPITAL 3

Buy-ins, buy-outs; hands-on, hands-off – **Charles Batchelor** defines the differences

Know your burn-rate from your deal-flow

EVERY trade has its own jargon and the venture capital industry is no exception. The venture capitalist hopes his plums will more than outweigh the lemons in his portfolio and help him get over his hurdle. The entrepreneur, meanwhile, must keep a wary eye open for the vultures who may attempt to deprive him of the sweat equity he needs to make the deal worthwhile.

Some of the more colourful expressions which crossed the Atlantic along with the techniques themselves in the 1970s have fallen out of use, but a flavour of venture capital's pioneering days remains.

Burn rate
The rate at which a business uses up the funds provided.

Business angel
Private investor who not only finances small companies, but who also gives them the benefit of his or her own expertise. Most angels are retired executives or entrepreneurs who have sold their own business.

BES
Business expansion scheme, whereby investors are encouraged to engage in risk investment. The BES offers them tax relief at their top marginal rate, for up to £40,000 invested a year. The 1988 budget introduced a £500,000 annual investment limit for each investee company to channel investment to smaller businesses. Recent cuts in tax rates have reduced the attractions of the BES for investors, while special encouragement for investments in residential property have diverted funds away from non-property ventures.

Business plan
The document put together by managers to justify their application to financiers for backing. Should contain summaries of past and projected profit and loss accounts, balance sheets and cash flows. Also should list details of products and services, markets, future strategy and profiles of the managers. Don't get too carried away though. Most financiers will not go beyond the two-page executive summary.

Captive funds
Venture capital organisations which form part of larger financial services groups. Usually they do not raise their own discrete funds, but draw on the resources of their parent groups.

Carried interest
Shares or an option on shares taken by the venture capitalist in the investee company as part of the financing agreement. Usually the stake taken is 20 per cent. See also **Hurdles.**

Corporate venturing
The practice of a large company taking a small equity stake or establishing a joint venture with a smaller business to benefit from the smaller firm's specialist expertise.

The large firm can provide finance, management back-up and distribution outlets which would not be available to the smaller partner. The small company brings its innovative skills and allows the big company a ringside view of the new products and technologies it is developing.

Corporate venturing links can lead to the bigger partner acquiring the smaller. Many US and some Continental companies have practiced this technique, though it has failed to appeal to large British companies.

Deal flow
The number of investment propositions which come to the venture capitalist.

Development capital
Later stage venture capital invested after two or three years when the business has become established and needs extra funds for expansion. Most venture capitalists are in fact providing development capital. The rewards are lower but the risks are correspondingly less than for early stage investments.

Exit
The point at which the venture capitalist realises all or part of his investment by either arranging a flotation of the company or, more commonly, selling it to another company or "trade buyer". A growing range of exits is becoming available, and the list also includes a refinancing of the company by another group of venture capitalists or the purchase of all the shares by the company's own management.

Hands on/hands off
Some venture capitalists take a very close interest in their investee companies and will provide management expertise to help them get started and in times of difficulty. It is rare to find a venture capitalist who does not claim to be "hands on", but many, in moments of honesty, will admit to being "hands off" or passive investors.

Hurdle rates
Institutional investors have grown restive at the fees venture capitalists earn and have started to insist that funds achieve a basic return before managers can claim their carried interest. They often set hurdles based on a return on gilts or one of the leading stock market indexes.

Independent funds
Do not form part of larger financial groups. They raise their money from institutional and other investors.

Internal rate of return
Different people calculate IRR in different ways, but it basically means the compound annual rate of return to the investor. It includes dividend distributions and profits from disposals or the profits shown on a fair valuation of an investee company. Inevitably venture capitalists differ over when investments should be written down, up or off so the figures are rarely strictly comparable.

Most venture capitalists set themselves a target IRR of 30 to 40 per cent on their portfolios.

Lemons and plums
Bad investments invariably go wrong before the good ones produce the profits. The lemons usually ripen before the plums.

Living dead
A portfolio company which is just about trading profitably but which shows little sign of ever meeting the venture capitalist's early high expectations.

Management buy-in
The purchase of a business by an outside manager or team of managers with the help of a group of financial backers.

Management buy-out
The purchase of a business by its existing management with the help of a group of financial backers. Buy-outs are funded largely by loans secured on the assets of the company itself. Most of the equity comes from the venture capitalist or other financial backer. The management puts up a small amount of finance for a disproportionately large percentage of the equity.

Management fee
This is an annual charge normally amounting to 2½ per cent of the sum invested. Some investors have insisted that the larger funds making later stage investments should charge less because their portfolio companies are less time-consuming. Others argue the management fee should decline as a fund matures and fewer new investments are being made.

Recovery financing
Supplied to companies in difficulties where the venture capitalist sees an opportunity to beef up or change the management and return the company to profits. Some venture capitalists have employed insolvency specialists to identify and manage such investments.

Refinancing
Can be a sign of either failure or success. If a company performs poorly it may need an extra injection of funds. Equally, if it does very well, the management may decide to refinance the business on terms more favourable to themselves with their original venture capital backers or sometimes a new team of financiers.

Replacement capital
Funds provided to allow an existing shareholder to sell some or all of his shares.

Second-round financing
Venture capitalists rarely expect the first injection of funds to meet needs. A second or even a third round of funding will almost certainly be needed later as the business grows or unforeseen problems arise. At this stage the original venture capital investor may reduce his holding and bring in others to spread the risk.

Seed capital
Usually quite small amounts of capital provided to turn a good idea into a marketable product or service. The riskiest form of venture capital since the concept, the technology, the entrepreneur and the market are all unproven.

For this reason seed capital has been in very short supply. Some venture capitalists argue seed capital should not really be necessary, since most people should be able to raise say £25,000 from savings or bank borrowings secured on their home.

Spin-out
A new company set up by a larger group to exploit new developments or fresh market opportunities and in which the management team and a venture capital backer also take equity stakes.

Star
A company which is so successful that it pays for all the failures and humdrum performers in the venture capitalist's portfolio.

Sweat equity
The extra percentage of a company's equity which is allocated to the managers over and above the shareholding for which their own relatively modest financial investment would qualify them. The extra shares are seen as an additional motivation and reflect the fact that it is the managers' hard work which will ultimately make the venture succeed.

Sometimes more decorously referred to as **sweet equity.**

Trade sale
The sale of a company to a corporate buyer. This is the most common exit route (qv) for venture capital backed companies.

Turnaround financing
See recovery financing.

Venture capital
Equity finance provided usually to young, unquoted businesses to enable them to get started or to expand. Equity funds provide a basis for the company to raise further bank finance and provide a cheap source of funds in the early stages of the business: dividends can be delayed until the company starts making profits. Venture capitalists say they bring not only money but also management and industrial expertise to their investee companys (but see **Hands on above**).

Vulture capital
Derogatory term, applied to an offer of funds or a deal which gives the venture capitalist an unfairly large equity stake.

Charles Batchelor assesses the alternative to the formal sector

Flights of pin-striped angels

BUSINESS ANGELS – private investors who put their money and their commercial experience into helping small firms – are increasingly recognised as having an important contribution to make to the small business sector.

In the US, angels are thought to invest two to three times the sums provided by the formal venture capital industry. In the UK their contribution is much smaller, but their growing role has been recognised by a (modest) government programme to promote networks of angels.

The government last month announced five pilot projects under which Training and Enterprise Councils (TECs) would work with other local organisations such as enterprise agencies to establish a "marriage broking" service to bring together angels and the small companies seeking finance.

The Department of Employment will provide £20,000 of support each year for two years to help the pilot schemes get established. The areas chosen for the pilots are Bedfordshire, Calderdale and Kirklees, Devon and Cornwall, east Lancashire and south and east Cheshire.

For the small business there are a number of advantages in working with an angel compared with raising funds from a venture capital company. The private investor may be more likely to take an informed "punt" on a small business than the venture capitalist working with the conventional financing ratios; the angel brings none of the high fees associated with traditional fund-raising and, unlike the banks, he (most angels are men) does not require the entrepreneur to make over his home and business as security.

Equally important, the angel is usually happy to invest sums far smaller than those available from the conventional venture capital firms because he does not carry their large overhead. He is often prepared to wait longer for a return on his money and may accept rates of return lower than those demanded by the venture capital industry.

Lest the picture appear too rosy, though, among the disadvantages for an angel are the limited financial and managerial resources at his disposal. The venture capital house which is really prepared to get involved with its investments will have a wider range of skills on which to call if the investee company runs into difficulties. It will also have access to a deeper pool of resources if the company requires second or third rounds of finance.

The sort of people who become angels are big company managers who have retired with a golden handshake; small businessmen who have sold out but who are looking around for a second business to help build up; and younger City types who are looking for an alternative way to invest.

A recent study* of business angels carried out by Colin Mason of Southampton University and Richard Harrison of the University of Ulster revealed the following characteristics of business angels in Britain:

■ Most are well-off but are not millionaires. The average income of the 86 angels surveyed was just under £50,000. 44 per cent earned between £25,000 and £49,000, while 16 per cent earned £100,000 or more.

Turning to accumulated assets, 27 per cent had a net worth (excluding their main home) of £100,000 to £249,000, while 19 per cent had £1m or more.

■ Most invest locally in order to be in close touch with the companies they have backed. Just over half invest within 50 miles of their home or office, and two-thirds restrict themselves to within 100 miles.

■ Relatively few dentists, doctors, teachers, scientists or engineers opt to become angels. Most come from the business community, with two-thirds having founded one or more businesses of their own.

■ Most come into contact with their investee companies through friends or business associates. Relatively few find deals through their accountant, banker or stockbroker. Perhaps ominously for the government's latest initiative, few used organised referral sources such as business brokers or investment clubs.

This probably explains the limited success achieved by existing "marriage" broking networks in the UK. The LINC network was set up in April 1987 to bring together bureaux established by several enterprise agencies, notably LEntA (the London Enterprise Agency) during the 1980s.

LINC now comprises 12 enterprise agencies which publish a monthly bulletin of business opportunities. They also run investors' meetings at which companies seeking money present their business plans and face questioning from would-be investors.

Annual membership for investors is £75, while entrepreneurs seeking finance pay between £50 and £120 depending on the enterprise agency.

LINC has arranged 54 investments in the past 4 years and raised a total of £3.1m for companies on its register, says Fiona Conoley, LINC general manager. Between 8 and 10 per cent of companies seeking funds are successful.

A different form of broking service for both individual and corporate investors is provided by Venture Capital Report (VCR), a monthly newsletter comprising detailed profiles of about half a dozen companies seeking finance. The report is sent out to nearly 400 subscribers, a quarter of whom are individuals.

Venture Capital Report does not organise meetings between companies and would-be investors, but allows the two sides to make their own arrangements. The cost to subscribers is £300 a year while the companies which are profiled pay £200.

If a company is successful in raising money it pays VCR a fee of 1 per cent of the sum raised plus £1,000.

VCR has achieved 10 matchings in the past 12 months, says Lucius Cary, the editor. Overall 15 per cent of the companies it features raise the money they are seeking from VCR subscribers, while a further 10 per cent raise the money from other sources (possibly indirectly as a result of the publicity through VCR).

A third method by which private individuals can make investments in small, private companies is the Business Expansion Scheme (BES), though this has been largely hijacked by rented property (assured tenancy) investment schemes in the past two years.

Very little of the money goes into early-stage trading or manufacturing businesses.

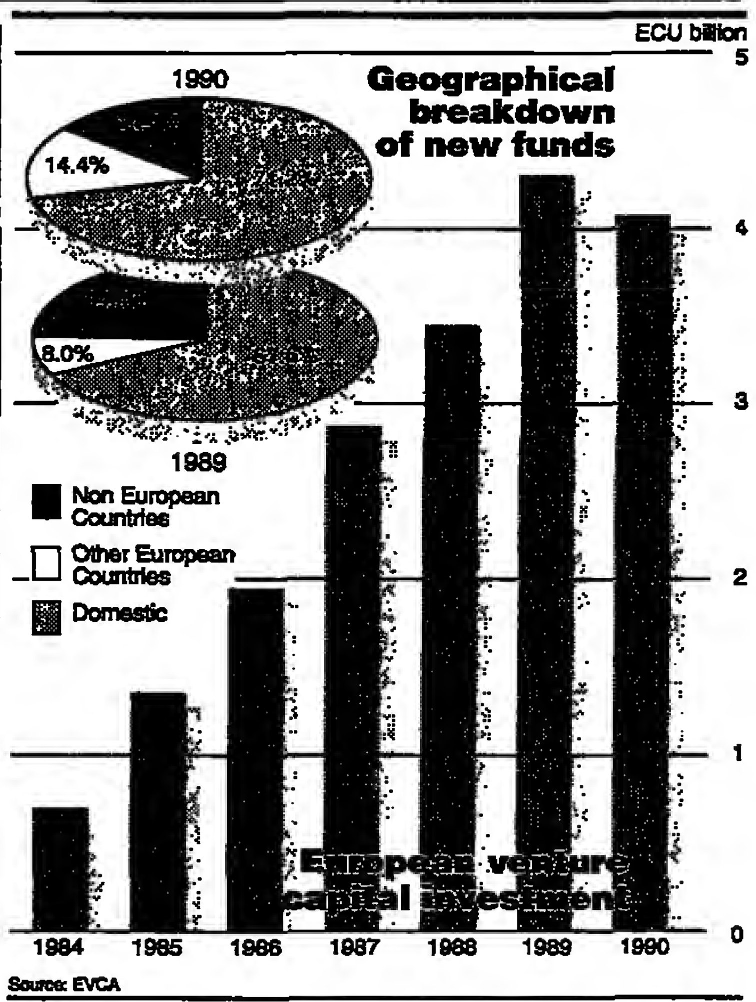
Nevertheless, the BES does offer a route to investing in small firms and some accountants and BES specialists maintain registers of clients who can be called on to back small equity fund raisings. One such register, run by London-based accountants Baker Tilly, lists more than 1,000 investors willing to participate in BES and non-BES issues.

Despite the existence of these different broking services, the potential for business angels has not been fully exploited, Mr Mason and Mr Harrison concluded in their study. The angels they interviewed had put a total of £3.1m into 172 ventures over a three-year period, but they still had up to £10m available for further investments.

If the government's broking initiative can overcome investors' apparent reluctance to use formal networks, then the angels may really start to fly.

Contact: LINC 071-236 3000, or through local enterprise agency; Venture Capital Report 0491-57 9999.

**The Informal Supply of Venture Capital in the UK.*



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VENTURE CAPITAL 4 — International round-up

Hope springs eternal

NOW is not the best time to raise capital of any kind in the US. An uncertain business climate and the legacy of the gung-ho 1980s mean that a bunker mentality pervades most areas of the financial markets.

So it is with venture capital. New commitments into venture capital funds have fallen away and, with the inevitable time-lag, monies invested in fledgling situations have dwindled too.

Figures from Venture Economics, the Massachusetts-based industry research firm, illustrate the point vividly. In 1986, private venture capital funds raised around $3.3bn, a figure which rose to a peak of $4.2bn in the subsequent year. Since then, it has been downhill all the way.

In 1988, a slightly reduced sum of $2.9bn was attracted; by 1989, it had fallen to $2.4bn; last year, it was only $1.9bn.

Sums invested remained more stable during much of this period, but here, too, the picture has now darkened. For the four years from 1986 to 1989, the figures clocked in at $3.2bn, $3.9bn, $3.8bn and $3.4bn. But in 1990, investment tailed away dramatically, to a mere $1.9bn – the lowest level seen since 1982.

Nor is there much sign of any immediate improvement. Venture Economics, for example, says only that it hopes "something over $1bn" may be raised this year. It acknowledges that predictions are difficult, given that a couple of large fund-raising efforts could easily influence the result, but draws its prediction from the first six months of 1991, when venture capital activity was noticeably less aggressive than 1990.

In the first quarter, for example, around $185m was committed by venture capital funds to a total of 173 companies. That compared very poorly with the $540m invested in 333 situations in the same period a year earlier.

In mitigation, there have been some reports of increased activity by Silicon Valley's venture capital firms. But the improvement is tentative at best, and many observers suspect it represents an aberration, rather than a sustained trend.

This gloom, however, does mask a number of trends within the venture capital industry overall.

The first is a tendency by venture capitalists to seek "later stage investments". The implications of this have been much debated in recent months, with the obvious worry that a funding gap will arise for "early stage" financings.

Broadly, it has been noted, the risk-return profile of many venture capitalists seems to have shifted as times have become tougher, and there is now a desire to see returns within a maximum four or five-year time horizon, rather than having money invested for up to a decade. Clearly, the investor accepts a lower potential return as a result but, in these uncertain times, that is viewed as an acceptable trade-off.

In part, this trend seems to result from added pressure on the limited partners in many venture capital funds. These are mainly institutional investors, such as insurance companies and pension funds, and they face plenty of problems of their own. For example, the life insurance industry, faced with sagging real estate investments and intense regulatory scrutiny, is under intense pressure to put its assets on a more conservative footing.

United States

This creates a problem for the budding entrepreneur. The situation in the US computer industry, for example, was highlighted in a recent study which calculated that only 26 "seed" deals were done last year, for an aggregate investment of $29m. Yet, although venture investing shrank overall, the sums put into "later stage" financings actually edged upwards by 19 per cent.

Taking a broader picture, Venture Economics has estimated that "first round" financings accounted for 27 per cent of all venture capital invested in 1990, down from 35 per cent in 1989, 42 in 1988 and a staggering 56 per cent in 1981.

Meanwhile, industrial sectors at which the venture capital industry has been targeting its money have also shifted slightly. The popularity of the computer hardware business has waned, with some corresponding increase in the appetite for software and health-care investments. "Consumer-related" businesses – which can mean anything from retailing to dry-cleaners – have also seen some growth in popularity, although this is a more patchy trend.

Not surprisingly, the downturn in the venture capital industry has brought various pleas for tax breaks – coupled with criticism of tax law changes in the late 1980s. The well-worn point that "new firms" create jobs has been argued with renewed vigour, as has the importance of emerging firms to "future US competitiveness".

Some enthusiasts have even pointed hopefully at the consideration various US stock exchanges are giving to experimental markets for fledgling companies. In short, the venture capital industry may be down, but hope, it seems, springs eternal.

Nikki Tait

Facing an obstacle course

VENTURE CAPITAL provides Italians with an exercise in semantics. There are many interpretations, and there are as many views on venture capital's place in Italian finance.

"Classic venture capital investment concerns start-up operations characterised by high technology, early cash hunger, initial losses and refinancing needs," says Jonathan Bliss, deputy general manager of 3i Investors in Industry, the British venture capital corporation that opened an office in Milan last year.

"These characteristics are a deterrent to operators unwilling to accept high risks, and deter Italian players who are generally risk averse," says Mr Bliss, whose own company has a strategy in Italy that shows preference for low risk.

"We see our role as providing development capital in management buy-outs and buy-ins.

"There are interesting opportunities among the many small and medium-sized family firms, perhaps where there are succession problems. These family firms provide uncomfortable structures for good professional managers."

Mr Bliss notes that high risk start-ups at the leading edges of technology, whether in electronics, telecommunications, healthcare or the other sectors that are the typical hunting grounds for venture capitalists in Britain and the USA, make heavy demands on executive time. "Special people are needed who can deal with the shocks that occur. We are looking instead for a portfolio of steady business in Italy."

Similar caution is the rule at Finanziaria Italiana di Partecipazioni (FIP), the investment bank subsidiary of state-owned Banca Nazionale del Lavoro (BNL). Though FIP's articles of association allow its board to undertake venture capital operations, the BNL parent has specifically forbidden FIP to provide start-up investment in new companies. FIP's sphere of activity is strictly limited to operations providing development capital.

Another state-owned investment bank, the Sige Investimenti subsidiary of the IMI financial conglomerate, has been involved in venture capital but has now adopted a lower risk strategy.

Sige Investimenti's interest in start-up operations lasted from 1985 to 1989. For the past two years it has restricted its investments to the provision of development capital to established companies.

Sige Investimenti is a member of the Associazione Italiana delle Finanziarie di Investimento nel Capitale di Rischio (AIFI, the Italian venture capital association). AIFI's membership list of 30 includes 3i and other important merchant banks and financial organisations like Akros, Arca Merchant, Fime, Finban, Gemina, Invest, Sanpaolo Finance and UBS Investimenti e Finanza.

Established in 1986, AIFI links the leading operators in a set of objectives that aims to further their activities in Italy and Europe, and to promote co-operation both in Italy and abroad. AIFI works closely with the European Venture Capital Association, one of its twelve associate members.

One of AIFI's main aims is to lobby for legislation that will encourage venture capital investment. "We lack specific incentives and there is no fiscal encour-

Italy

agement to venture capital operations in Italy," notes Anna Gervasoni, lecturer in industrial economy at Milan's Bocconi business university and AIFI's general secretary. "This is an obstacle to the growth of venture capital."

Nevertheless, she considers that there are many opportunities for venture capital in Italy. "AIFI's members were involved in a total of 375 ongoing operations at the end of last year, representing an overall investment of L1.15bn ($90m). The average investment was L3.1bn," says Ms Gervasoni, pointing to business that has already been achieved.

Venture capital companies belonging to the banking sector have been the biggest source of finance. AIFI's figures show that these had investment totaling L580bn in 150 ventures at the end of last year, an average of L3.8bn per operation. Public sector bodies had 101 ongoing operations, but for a much lower value; a total of L135bn and an average of only L1.3bn.

In terms of average value per operation, private sector venture capitalists have been the most adventurous in Italy. At the end of last year their investment in 57 ongoing ventures amounted to L332bn, an average of L5.8bn per investment.

"Closed ended mutual funds ought to provide a significant source of finance for venture capital operations. But legislation is still awaited that will authorise these funds in Italy.

"In the meantime, however, there are some closed ended funds established abroad, obtaining finance from Italian as well as foreign investors, which have invested in venture capital operations here," says Ms Gervasoni.

AIFI's figures show that at the end of last year foreign sources of finance and foreign funds were together involved in 35 operations in Italy. Their total value was L65bn, at an average of L1.8bn.

"Most operations concern expansion capital to assist the development of established businesses, generally in central and northern Italy. Though our members have investments throughout Italy, inevitably there is a concentration in the interesting industrial regions like Lombardy, Emilia Romagna and the Veneto," says Ms Gervasoni.

"There has been much less seed financing for start-up, probably between 5 and 10 per cent of the total. Though the potential returns are much greater, so also are risks. Without fiscal or other assistance, start-up venture capital operations will have difficulty in winning support from investors in Italy," says Ms Gervasoni.

Emanuele Gabbini, managing director of Akros Partecipazioni, says his firm has undertaken 8 venture capital operations since starting in this field three years ago. All have involved finance for established businesses. "We are only now looking at a potential candidate for start-up investment," he says.

Mr Gabbini emphasises that trust is fundamental, particularly where the investor has a minority stake and does not have a role in managing the business being financed. While this is equally true elsewhere, it touches on social factors that hinder acceptance in Italy.

A late industrialiser, Italy has many businesses whose owners and families still have the canny and wary attitudes of country peasants, scared of being cheated but proud of being able to pull fast tricks on others. Moreover, relationships with the authorities and institutions such as banks are often tinged with scepticism.

The figures from AIFI show that a substantial gap separates Italy from Europe. At the end of last year Italy's venture capital portfolio was about 5 per cent of the European total, significantly below the country's relative economic weight. If the scope for growth is to be realised, several large obstacles will have to be overcome.

David Lane

NUMBER OF ONGOING OPERATIONS at year-end 1990

Type	Number	%
Early stage	58	15.4
Development capital	187	49.9
MBO/MBI	61	16.3
Restructuring and other	69	18.4
Total	375	100.0

Source: AIFI

Caution is taking over

FRENCH venture capital is currently entering the third phase of its young life – and not its most daring. After the exciting beginnings in the early 1980s, most of which were followed by the steady strong growth of the latter half of the last decade, the nasty nineties are in danger of making many participants think again.

New funds advanced to French venture capital firms dropped a sharp 38 per cent to FFr7bn ($1.21bn). At the same time the number of investments made by the firms was down 14 per cent in volume and 5 per cent by value.

Small businesses in France have long suffered from undercapitalisation and over-heavy debt burdens. Added to that were historical and demographic factors, which meant that many of the small and medium-sized enterprises, known collectively as PME-PMI, which once were a symptom of post-war boom, were reaching maturity at around the same time.

Debt burdens and archaic ownership structure meant that transfer of businesses in France is complicated and time-consuming.

And that sets the stage for the successful entry into France of groups like 3i in the early 1980s.

In 1983, Investors in Industry (3i), then called Finance for Industry, decided that France was a market ripe for exploitation in the same way as the UK had been three decades before. In fact 3i's arrival in France was something of an accident. The British parent company, looking to expand abroad, was examining the two largest potential markets in Europe – France and Germany – and settled on France, in part, because it could find French-speaking staff.

It also discovered that the German banks had taken a more active participation in the day-to-day affairs and investments decisions of its clients than their French counterparts. This meant there was a gap in the market.

In France, without the competition of the major banks, 3i had scarcely to adapt its methods to find an immediate foothold in France.

Throughout the mid and late 1980s, other companies were able to follow 3i down the route into risk financing, without risk to themselves, because the market itself was expanding at between 30 and 40 per cent a year.

Today the market is more mature and has got much tougher.

The volume of profitable business itself has ceased to grow because of external, recessionary factors, and at the same time competition is coming from much more significant players, particularly the banks and insurance companies. This manifests itself in three main ways:

■ With France in or close to recession since the beginning of this year and affected by the "Gulf factor", it has become increasingly hard to raise new independent funds to invest in risky operations, and at the same time the big institutions have become much more selective as to where they invest;

■ After five years of damaging head-to-head competition to provide the cheapest loans, the biggest banks have changed their marketing tactics.

Range of services is now a key factor, and risk capital is a part of their standard product range, complementary to standard lending operations, not something outlandish;

■ Thirdly, the legal and tax breaks which helped the industry grow are unlikely to be maintained, let alone extended. Between 1983 and 1990 taxes on

France

revenue on revenue dropped from 50 per cent to 34 per cent, and the second market was created, giving investors a new way to withdraw from mature situations and the economy grew steadily.

Several players are now forecasting a sharp concentration of the market, with many of the smaller finance boutiques disappearing from the scene unless they are supported or bought out by a larger cash bank or institution. Recent figures suggest that the large banks last year accounted for 18 per cent of the new funds raised.

Consolidation is already under way. Last year saw the creation of only a handful of new entrants and today some three quarters of the market is in the hands of less than 20 firms.

This has prompted companies to specialise by type of operation, type of industry or by geographical area of operation. A strong regional presence is thought very important by some.

Others operate nationally or internationally.

There is also a trend towards follow-on investments and away from new projects, which were the biggest area of attraction in the late 1980s. Expansion finance now represents more than 80 per cent of new investments, and nearly 90 per cent of total venture funds invented.

That suggests that only the healthiest companies are able to attract venture funding. Survival of the fittest, perhaps. But it still leaves the PME-PMIs with chronic problems of business transferral and heavy debts – hence prime minister Edith Cresson's recent emergency cash lifeline to small businesses.

Patrick Frater

Out of the nest, learning to fly

THE Dutch venture capital industry, generally considered to be one of the most highly developed in continental Europe, has reached "young adulthood" and is now being left to fend for itself by the Dutch state, which helped to stimulate the industry's early growth through a unique loss-compensation scheme.

Despite protests from within the industry, the scheme, known by its Dutch initials PPM, is scheduled to be withdrawn on January 1, some 10 years after it was introduced. Under strictly-defined conditions, the PPM programme, which was severely scaled back in mid-1990, offers compensation for up to 50 per cent of losses on each investment of less than Fl 2.5m ($1.3m) in smaller companies.

The launch of the PPM guarantees in 1981 marked the birth of a private-sector venture capital industry in the Netherlands. The PPM's abolition is, accordingly, an important milestone in the industry's development.

In 1990, Fl 127.8m, or slightly less than a quarter of all new venture-capital investments in the Netherlands, fell under the scheme.

Cumulatively, PPM-inspired investments were worth Fl 445.8m last year, or 13 per cent of the total Dutch venture capital portfolio of Fl 3.4bn.

The Netherlands

The government says the venture capital industry is now mature enough to be able to carry on its work without the benefit of further government guarantees. The industry, however, describes the change as a short-sighted move which will deprive small, fast-growing companies of much-needed finance.

Says Mr Willem Nagtglas Versteeg, chairman of the Dutch Association of Venture Capital Companies (NVP): "The total number of transactions will not necessarily fall, but the industry will be looking more to mature companies."

Thanks in part to the PPM scheme, the Dutch industry has grown rapidly over the past 10 years to rank among the largest in Europe. In 1990, new investments totalled Fl 550m, narrowly breaking the 1987 record of Fl 540m and representing a 35 per cent rise from 1989.

This rapid growth is now being followed by a bout of consolidation. The most significant event was the merger in July between APM, a subsidiary of ABN Amro Bank, and MIP, a venture capital company set up by the government in the early 1980s.

The new company, called Alpinvest, has capital of more than Fl 500m, making it one of the bigger players in Europe. The Dutch state, which previously held a 57 per cent stake in MIP, has allowed its stake in Alpinvest to drop to 30 per cent, underlining the government's gradual withdrawal from the sector.

Apart from undergoing consolidation, the industry is also trying to polish up its image in order to revive flagging capital flows from big institutional investors.

Mr Nagtglas Versteeg says that in the mid-1980s, some "overly enthusiastic" players held out to investors the prospect of receiving returns of 30 to 40 per cent.

These excessively optimistic forecasts were not realised, tarnishing the industry's reputation and overshadowing the real opportunities venture capital investments have to offer, he says.

To remedy the situation, the NVP published a study in late October showing that the average annual return on Dutch venture-capital investments was 13 per cent between 1986 and 1990, compared with 4 per cent for shares, 2 per cent for bonds and 6 per cent for three-month deposits. The figures do not include management costs, which in the case of venture capital would probably reduce the 12 per cent result to about 10 per cent, Mr Nagtglas Versteeg estimates.

Within the various categories of venture capital investment, the greatest return on investment was realised by "bridging finance", the capital needed by companies in the period leading up to a share launch on the stock exchange. The average return here was 38 per cent, compared with 25 per cent for management buy-outs, another relatively mature stage of a company's development.

In the early start-up phase, the average return was a negative 3 per cent, while later investment designed to finance expansion produced a positive return of 11 per cent.

As a consequence of the weak figures for young companies, there has been a shift in emphasis among Dutch venture capital groups towards more mature companies. This development, which mirrors the trend seen in other markets such as the UK, is expected to be accelerated in the Netherlands by the impending scrapping of the PPM scheme.

Ronald van der Krol

Profile: BLENHEIM

No twist in this tale of success

BLENHEIM GROUP, the exhibitions organiser, is one of the few meteorites of the 1980s that has not burned up in the atmosphere during the past 18 months.

In the five years since it went public – on the City's Big Bang day – its portfolio of shows has risen from 27, all in the UK, to more than 250, spread over nine countries. Turnover climbed from £2.6m in 1986 to £88.8m in 1990, and pre-tax profit from £0.5m to £21.3m. For the 12 months to last August 31, analysts expect a profit of about £27m on sales of £125m.

Not only is the business relatively stable, it is also cash-flow positive, for exhibitors pay considerable sums in advance. Says Neville Buch, chairman: "Sixty-four per cent of our revenues for the next 12 months are either contracted or realised."

A year ago Electra Private Equity Partners (Epep), a closed-ended £456m fund for unlisted investments, backed Blenheim to the tune of £19m. The type of instrument used, although familiar enough in the US, was unusual at the time in Britain – a hybrid that was almost equity, but not quite. It was unquoted convertible loan stock carrying no maturity date, and which could not be converted for three years.

When the deal was first mooted, in August last year, Blenheim wanted to buy Gramac, of France, which runs Mode Enfantine, Europe's leading children's wear exhibition. But Mr Buch has an aversion to debt, and a depressed share price at that point made him reluctant to issue more paper.

Mr Buch and David Symondson, a director of Electra Kingsway, which manages the Epep fund, fashioned the transaction together. "We decided on an irredeemable instrument," Mr Buch says. "I wanted something with equity characteristics, and, to me, irredeemability is equity. We stepped the interest rate, which would give an incentive for them not to convert."

Mr Symondson points out that the loan stock was issued at about the share price ruling at the time, without the normal discount for a rights issue, and Electra, in return for locking itself into its investment for a minimum of three years, was given access to the books.

"We were able to get more comfortable with the investment than would have been the case with a straightforward share purchase in a quoted company," he says.

There is regular contact between Electra and Blenheim, which sometimes invites Mr Symondson to board meetings. He describes Electra as "a model shareholder, supportive, constructive".

Electra's novel incursion coincided with a period of extended management shake-up that has seen the departure of Lawrie Lewis, group chief executive and founder of the business, and 12 of the 13 UK trading directors. Mr Lewis, the biggest single shareholder, sold his 11 per cent stake to Ziff Communications, a leading US information technology publisher, in May.

The group used to operate from 20 small offices; this has been reduced to just four

The watershed was the appointment 18 months ago of Philip Soar as UK chief executive. Mr Soar, now group managing director, has been crucial in introducing tighter management information systems and financial controls and in focusing strategy.

One result has been the concentration of the group's activities, which were being run from almost 20 small offices, accumulated in the course of hectic growth by acquisition, to just four locations: Chiswick, west London; Paris; Dusseldorf and Englewood Cliffs, New Jersey. Staffing has been trimmed back from almost 600 to 540 worldwide.

Lewis in 1980, consisted of three small women's wear shows when Mr Buch bought into the business two years later. At that point, it was capitalised at £265,000. (Today its stock market value is £330m.) With the instinct of the portfolio manager, Mr Buch started to diversify, into giftware, food and information technology.

After flotation (Blenheim is still the only quoted exhibitions group in the world) came diversification overseas, with France as the first stop.

Mr Buch decided that the way to do it was to find the right people, and then offer them equity partnerships.

He teamed up with Patrick Lécetre, a Paris exhibition organiser, buying his company in 1988. Payment was in new Blenheim shares. That got over any question of 'I'm running France, you're running England'," Mr Buch says. Mr Lécetre is still one of Blenheim's biggest shareholders, with a 7.1 per cent stake, and France is its biggest market, accounting for 41 per cent of turnover.

The company now has 40 exhibitions in France, and has spent more than £100 million there.

Expansion into Germany through acquisition of the Heckmann group, into the huge ($9bn) but fragmented US market, and into Switzerland followed. In the past six months, the international character of the group has been cemented by the appearance on the share register of Ziff Communications (through the purchase of Mr Lewis's stake) and of Compagnie Generale des Eaux, which took new shares worth £22.6m (representing 11 per cent of the company) to finance the purchase of New York's Jewelry Shows.

Acquisition has been complemented by the launch of new shows. The twice-yearly Premier Collections, held in Birmingham, was launched in May 1990 and is already among the leading women's wear events.

Electra's investment is unlikely to be increased. The share price, which was in a trough at around £6.60 a year ago, is back up to £8.96 after a two-for-one issue in August. "The company can now go forward in a more conventional way," Mr Symondson says.

Wherever that way might lead, it will not involve masses of debt. "This company has been very conservatively funded," Mr Buch says.

"We never borrow more than a year's profits. If I stop buying, in 14 months the whole lot self-liquidates. That's perfect."

But he still speaks confidently of a £1 billion turnover in a few years' time.

Alan Purkiss

VENTURE CAPITAL 5

UK: the regional scene

Nowhere to go

BRITAIN's regionally based venture capital industry is now bigger than ever – but its main problem at the moment is that it is all dressed up with not enough places to go.

This is a turnaround: in the mid-1980s, venture capital was an industry centred disproportionately on London; small but growing businesses in the regions complained frequently about fund managers too busy in the south to see north of the Watford gap, despite high demand for venture capital in the regions.

Now the regions have about 80 local sources of venture or development capital when 3i's regional network is added to individual operations in most large conurbations. Unfortunately, recession has reduced the flow of potential deals to a trickle.

Management buy-outs remain the most certain market, but even here there is a dearth of good deals – and those are of low value, in most cases £5m and under. This is minuscule compared with the total funds available or invested in the regions in the last five years, a sum that may by now have passed £1bn.

Small funds will usually have £5m to build a portfolio, and a typical size for an institution-backed but independently managed regional fund would be in the £10 to £20m range.

Their aggregate figure soon swells into eight figures, however, because regionally operated subsidiaries of giants such as 3i, or Barclays or Lloyds development capital, have unlimited sums to call on if local opportunities warrant.

There is, therefore, a considerable reservoir of capital in waiting. However, most of the people who manage it agree that what the industry needs to start it flowing is economic upturn and a renewed willingness by the clearing banks to resume serious lending.

Indeed, the present paralysis afflicting many regional fund managers illustrates why an equity market among unquoted private companies funded by venture capitalists cannot function independently of loan finance.

The latter provides working capital through secured lending, while the former involves no security and high risks, but spread over years. In effect, the banks oil the works as they are built with venture or development capital. If there is not enough oil, the engine cannot run at speed, if at all.

The actual sums involved also have an important bearing. Below £250,000 most venture capital deals become prohibitively expensive and inefficient because of the professional fees involved if all parties are to exercise due diligence for the risks taken.

It is sums well below this – often under £100,000 – that the banks are at present reluctant to lend, even when secured. They need much higher levels of general business confidence and more certainty of growth to ease the risks when their margins are so tight.

Mr Ken Abbott, who runs the Liverpool office of Capital for Companies, part of the BWD Rensburg group, says: "Obtaining senior debt is a more difficult problem than venture capital finance.

"I know one company that needs to borrow about £120,000 and of others needing less. The banks which would have normally financed these sorts of sums are nervous as kittens.

One result is that deals are smaller and involve a single venture capital fund

"Until they do, the economy will not turn," he added.

Mr Geoff Weaver, head of Lloyds Development Capital – part of Lloyds Merchant Bank – in Leeds, says: "The senior debt market went away in the late 1980s. The clearers were prepared to dabble then, but they are not at present."

One result is that deals are smaller and involve a single venture capital fund. With the debt element of any large package difficult to organise, syndication of big deals between fund managers has slowed.

"We are sticking to tried and tested ventures with good management teams and strong cash flow in the business," Mr Weaver says.

Mr Tony Hyams, his opposite number at Barclays Development Capital – an arm of BZW in Manchester – says the larger market of deals worth £5m-plus has disappeared almost entirely. His office has done only two deals so far this year.

"Some venture capitalists have been rubbing their hands and waiting for companies to come to them wanting to finance growth with equity. But this is a voluntary market. Many companies have decided to grow more slowly, and finance it out of existing resources. Demand is evident only in the buy-out market."

There are start-ups, however. Significantly, the northern offices of 3i – which have more experience than other venture and development capital providers of trading cycles and the best way to ride them – have recently made five medium-sized ones with an average investment of £1.5m of equity each.

"The time to be bold is when the economy is at the bottom of the cycle and about to come out of recession," says Mr Charles Richardson, 3i's director for Scotland and the north of England. The idea is that investment is cheap now and equity values will rise sharply in a couple of years as the economy expands again – if your money is on the right horses.

In this case the "horses" are a business for testing cars rebuilt after crashes so they can be re-insured, a cosmetics manufacturer, a fast food franchisor, a distributor of health and sports drinks for sale in vending machines and a bowling alley.

Because of the senior debt problem – and to attack the clearers in their own marketplace – 3i is also experimenting in the regions with a package called "Core Capital", which offers equity funding in the £50,000 to £250,000 range by standardising documentation to cut professional fees and associated costs.

Mr Murray Grant, a senior 3i controller in Manchester, says that although only three deals have been done so far, applications are coming in at the rate of three a week. In one deal, 3i's legal costs had worked out at £600, compared with a typical £3,000 to £5,000 for a £250,000 investment.

Meanwhile, other institutions are revamping their regional stance. The generically named and, consequently, almost anonymous Development Capital Group is to rename itself Lazard Ventures for easier recognition, and is reorganising in the north and Midlands.

Lazards was one of the earliest City firms to operate regionally, which it did for institutional investors through a series of local unit trusts. Half its funds went into quoted companies in any region to provide liquidity, while the rest went into riskier, unquoted ventures.

Northern operations are now being relaunched as the Palatine Fund, which is backed by Standard Life, British Aerospace Pension Fund, and the pension funds of the Merseyside and Lancashire local authorities.

Lazards' Midlands reorganisation has yet to be formally announced, but it is expected to involve expansion of the regional fund based on the old West Midlands Enterprise Board so that the East Midlands can be included.

Ian Hamilton Fazey

PRINCIPAL FUNDS BASED IN UK REGIONS

FUND HEADQUARTERS	CONTACT	TEL NO
ABERDEEN		
Aberdeen Fund Managers	A.A.Laing	0224-631 999
BARNSLEY / SOUTH YORKSHIRE		
South Yorkshire Developments	J.Hattersley	0226- 298 311
BELFAST		
Enterprise Equity		0232-242 500
Industrial Development Board		0232-233 233
LEDU		0232-491 031
Ulster Venture Capital		0232-246 678
BIRMINGHAM		
Birmingham Technology	T.F.C.Crawley	021-359 0981
Centreway Development Capital	J.Naylor	021-643 3941
County Natwest	K.White	021-236 1741
Lloyds Development Capital	M.Joseph	021-200 1055
Mercia Fund Managers		0926-511 400
Sumit Equity Ventures	J.M.B.L.Kerr	021-200 2244
West Midlands Enterprise Board	P.G.Collings	021-236 8855
West Midlands Regional Unit Trust		021-236 8855
BRISTOL		
Avon Enterprise Fund	S.Watson	0272-213 206
County Natwest Ventures	Alan Lewis	0272-273 731
CAMBRIDGE		
Cambridge Capital Management	G.Montgomery	0223-312 856
Euroventures		0223-423 033
Prelude Technology Investments	R.Hook	0223-423 132
CARDIFF		
First Welsh General Investment Trust		0222-229 922
Welsh Development Agency	C.Morris	0222-222 666
CHELTENHAM		
Capital Ventures		0242-584 380
DONCASTER		
Doncaster Enterprise Agency		0302-340 320
DUNDEE		
Tayside Enterprise Board		0382-621 030
EDINBURGH		
Castleforth Fund Managers		031-225 2148
Charterhouse Development Capital		031-556 2555
Dunedin Ventures		031-315 2500
Hodgson Martin	A.Hodgson	031-226 7644
Ivory & Sime	R.Muir-Simpson	031-225 1357
Morgan Grenfell		031-557 8600
Noble Grossart		031-226 7011
Quale Munro	R.W.L.Leggett	031-226 4421
Stewart Ivory & Co		031-226 3271
TMS Ventures		031-451 5353
GLASGOW / AYRSHIRE		
ASSET		0294-602 515
Clydesdale Bank Equity		041-248 7070
Murray Johnstone	I.W.P.Tulloch	041-226 3131
Scottish Development Agency	J.Tait	041-248 2700
Scottish Allied Investors		041-204 1321
HALIFAX		
Gartland and Whalley Securities	J.E.Barker	0422-349 401
HARROGATE		
Belmont Securities	T.R.Cottier	0423-525 661
LEEDS		
Capital for Companies	B.Anysz	0532-438 043
County Natwest	M.Frank	0532-443 444
Leeds Trust		0532-442 060
Lloyds Development Capital	G.Weaver	0532-441 001
Yorkshire Bank Development Capital		0532-442 848
Yorkshire Enterprise	P.Claydon	0532-420 505
York Trust	N.Balfour	0532-460 132
LIVERPOOL		
Capital for Companies	K.Abbott	051-227 2030
MANCHESTER		
Barclays Development Capital	A.Hyams	061-832 7222
Charterhouse Development Capital	S.Nellies	061-236 1100
County Natwest Ventures	J.Moran	061-832 8827
Henry Cooke Group	D.Smith	061-834 2332
March Investment Fund	R.S.Marshall	061-872 3676
Murray Johnstone	J.Digginss	061-236 2288
North of England Venture Managers	P.Folkman	061-236 6600
North West Regional Fund	C.Edwards	061-834 2332
Ventures North West		061-236 2286
NEWCASTLE-UPON-TYNE		
Northern Venture Managers	M.Denny	091-232 7068
NORWICH		
Norwich Union Life Assurance		0603-683 751
OXFORD		
Oxford Seedcorn Capital		0865-535 35
PRESTON / LANCASHIRE		
Lancashire Enterprises	R.Bamford	0772-735 821
SHEFFIELD		
Yorkshire Venture Capital	P.Gilmartin	0742-722 272
STAFFORD		
Staffordshire Development Association		0785-51 449
STEEL AND COAL CLOSURE AREAS		
British Coal Enterprise	A.Hewitt	0773-531 313
British Steel (Industry)	V.Smith	0742-731 612
NATIONAL WITH REGIONAL SPREAD		
3i		071-928 7822
Lazard Ventures/Development Capital	C.Cox	071-588 2721

Sources: Northern Venture Managers, March Investment Fund, British Venture Capital Association, 3i, Stoy Hayward

Profile: Helifix

The problem of being 'too small'

FIVE years ago, Helifix, a small manufacturing group, found itself in a situation common to many new businesses: a relatively successful product, a small dedicated workforce and in great need of finance to expand and survive.

For managing director Bob Patterson, the search for funding became "a very long haul" as the company talked to a variety of groups and individuals to little avail.

"Our problem was that we were perceived as too small," he says. "We went to a number of venture capitalists, but they ... were all looking to invest at least £250,000 minimum."

Helifix – which employed six staff – was seeking just £80,000. Mr Patterson is rueful about the negative responses: "As well as size, we appreciated we had very little track record for them to look at."

Helifix founder John Ollis had developed and patented a special range of helical fittings for timber and masonry products which had particular application in warm roof construction.

"Business was improving quickly, but we didn't have the capacity to reach anywhere near our potential demand," says Mr Patterson.

Fittings for one contract for a new city hall in Cardiff were manufactured on a daily basis and driven down overnight, such was the squeeze on production capacity.

Helifix then placed an advertising feature in a venture capital magazine, Venture Capital Report.

Of the four replies received, two were from venture capital groups, while two were from other manufacturing concerns.

Bob Patterson: a long-haul search for funding

"The main development we were looking for was to take our production in-house," says Mr Patterson.

Up to that point Helifix had used subcontractors to manufacture its special fittings. The attention of other manufacturing groups was particularly intriguing to Helifix and both were interesting in investing.

Some £56,000 of the loan was used to buy machinery and for the start-up production period

It was thus the Barrier Group of Wallsend, Tyneside, which won Helifix with the offer to use its production facilities, as well as investment capital.

The North Sea engineering concern took a 33 per cent stake in return for an £80,000 preferential rate loan facility, an equity investment of £20,000 and rent-free production facilities at Wallsend.

Barrier owners John and Robert Bowles joined the Helifix board. The loan – of which £56,000 was used – was used to buy machinery and for the start-up production period.

"The agreement has worked out very well," says Mr Patterson. "We have managed to expand at a good rate and survived on our cash flow. No other debt has been incurred and we paid back the loan by March this year."

Helifix now pays Barrier rent for the Wallsend factory and is using it to develop new products.

Turnover has risen from £60,000 in 1987, to £695,000 in the year to August 1991, with the company recently expanding its range of products into other roofing materials, resins and inspection machinery.

Overseas markets are now beginning to open up, with orders increasing from Canada and the US.

For the future, Mr Patterson sees further capital will be needed to fund expansion. Other joint ventures may therefore be a feasible option to be explored "at some stage in the future".

But in the meantime, the company – which now employs around 15 people – is looking to consolidate its position in the building market.

"Who knows," says Mr Patterson, "perhaps we'll be big enough one day to attract funding from the venture capital groups which once turned us down."

Christopher Price

VENTURE CAPITAL 6

Charles Batchelor looks at the shrinking line-up of main players in the field

Options are ever diminishing

A YEAR ago the venture capital industry was forecasting a slight decline in the number of funds during the early 1990s. The events of the past few months have shown that this is likely to prove an optimistic scenario.

Several funds have been hit by failures among their portfolios; other established players with less than sparkling performance have found it difficult to raise new money; and, most worryingly, people attempting to establish new venture groups have found the fund-raising climate even tougher than they had expected.

All the signs are that the industry will contract at a faster rate than initially forecast, and that the ability of new players to fill the gaps has been overestimated. It could take several years for institutional investors to recover their enthusiasm for venture capital.

In the meantime the contraction of the industry, though fiercer than many hoped, is for the most part still expected to be discreet. Most venture funds which die will expire slowly as their 10 year terms are reached.

"People have already started to leave the industry," says Mr Frank Neale of Phildrew Venture Advisers. "But it will be 1993-1994 before it shows."

The publicly quoted investment trusts which account for about one third of the UK's £6bn venture capital pool are more visible. It is in this sector that the difficulties have been most cruelly exposed.

Ensign Trust announced last May that its asset values had fallen by 50 per cent. It was followed in July by Gresham House, which said its assets had fallen by 80 per cent. Renaissance Holdings, a small trust specialising in investments in recovery situations, found itself in recovery mode in July and was forced to appoint administrative receivers. Newmarket Venture Capital, another listed investment trust, is also in the process of winding up. It cites the difficulties of producing the income stream needed to pay dividends to shareholders from investments in high risk technology companies. Newmarket's investment performance has been less than sparkling and in August in announced a first-half loss and the complete writing off of three of its UK based investments.

Tracking the fortunes of the private partnerships and the offshore venture groups which make up the bulk of the 120-strong UK venture capital community is less easy. There are clues, though, in publications such as the Venture Capital Report Guide to Venture Capital in Europe. The latest edition, published last February, records three funds which appeared in the 1989 edition but which were not listed this time round because they planned to make no further investments.

They were Industrial Technology Securities, Mercia Fund Managers and Welsh Venture Capital. All were small funds, while Industrial Technology and Mercia specialised in BES investments.

Another BES specialist, Development Capital Group, part of the Lazards Brothers merchant banking group, decided at the end of 1990 not to raise any more BES funds because of the shift of the BES sector towards rented accommodation (assured tenancy) projects. DCG was renamed Lazard Ventures, staff numbers were cut by half and the focus switched to regional and industry funds raised from institutional investors.

At the management buy-out and development capital end of the market, some of the larger players have withdrawn or reined in their activities severely. Problems with several large management buy outs and a more cautious attitude on the part of the banks has made it impossible to put together the financially engineered deals which were briefly popular at the end of the 1980s. GE Capital Corporate Finance, launched in 1988 to provide mezzanine finance for large buy-outs, has since shifted the focus of its activities, while some of the US players, also focused on the larger deals, have gone back home.

Meanwhile Security Pacific, the Californian bank, closed Security Pacific Hoare Govett Equity Ventures in February, as part of its retreat from international business.

New entrants to the venture capital field are harder to find. Enskilda Ventures, part of the Enskilda banking group, earlier this year announced plans for a £140m fund to make development capital investments, but several of the management teams known to have spun off from existing venture capital houses have had little luck in raising funds.

Established groups with a good track record also report tough fund-raising conditions, but several are going out to raise new money. Phildrew Ventures has launched the biggest fund-raising effort of 1991 with an announcement that it plans to seek up to £150m for what would be its third large buy-out fund. Meanwhile Candover Investments has raised £23m towards a new buy-out fund and is continuing to look for more investors to add to this total.

New funds must have "a slightly different story to tell" if they are to succeed in raising money, says Mr David Gregson of Phoenix Fund Managers, which is raising its first fund. Mr Gregson says that Phoenix's fund-raising has gone better than expected, helped by a commitment of up to £25m from Mitsubishi and the promise that possible venture capital deals will be referred by the Japanese company. The Phoenix venture team also has a track record built up at Globe Investment Trust.

Much of the current round of fund raising is aimed at later stage investments. Despite the sudden fall from grace of very large buy-outs, deals in the £1-£25m range remain popular and a small number valued at between £26m-£125m have also been completed.

But the shift away from start-ups and early stage deals shows no signs of being reversed. Apart from a handful of seed capital funds, no venture capitalist has found it economic to stay exclusively with early stage companies.

This trend has led to a surprising homogeneity in the venture capital industry. Forecasts that individual funds would have to develop market niches to differentiate themselves have not been fulfilled, though funds do vary by the size of investment they will contemplate. Industry niches have not proved suited to most venture capital groups, which must spread its risks.

Most of the industry is now concentrated on later stage development capital investments or management buy-outs. All that appears to distinguish them is a hard-to-define sense of "style" reflecting the personality and the background of the managers.

3i: a company at the point of change

Something of a gamble

3i, BRITAIN's largest venture capital group, will break with 46 years of tradition when it seeks a stock market listing next spring. Owned since its establishment by the Bank of England and the largest UK commercial banks, 3i has decided to transform itself into a listed investment trust.

This move reflects the desire of its commercial banking shareholders to strengthen their balance sheets and to disband a consortium venture which no longer suits their corporate strategies. The large UK banks all have venture capital operations of their own which may compete for some deals with 3i.

Quite what 3i's move into the listed sector will do for the company itself and for the venture capital industry in general is not yet clear. The pessimists believe 3i will be forced to abandon its strategy of long-term investments under short term pressure from its new shareholders. The optimists hope that a stock market presence and, possibly, a place in the FT-SE 100 Index, will focus the attention of institutional investors on the attractions of venture capital.

3i was set up in 1945 as the Industrial and Commercial Finance Corporation to fill a gap in the provision of long-term equity and loan finance to small and medium-sized companies. Since then it has invested in 11,000 small businesses, though disposals mean its current portfolio consists of about 4,100 companies.

An aggressive marketing campaign has produced a stream of new investments in recent years as 3i has promoted concepts such as the management buy-out and the buy-in. As other venture capital companies have moved away from backing start-ups and early stage deals, 3i has maintained its commitment. "I would guess we do more start-ups than the rest of the industry put together," says Mr David Marlow, chief executive.

Its almost total dominance of the British venture capital industry during the 1950s and 1960s, however, has been progressively eroded as smaller rivals, many of them run by former 3i executives, have been established. There are now about 120 venture capital companies in the UK. 3i still sets the pace in many of the regions, but even here it is increasingly challenged.

3i has not escaped the recession unscathed. It quadrupled the level of provisions in the year ended March 1991 to £128m from a restated £28m the year before. Pre-tax revenues fell from £59m to £38m, although 3i was able to maintain shareholders' funds at £1.2bn.

A combination of the more difficult economic climate and the approaching flotation – the issue has been debated on and off since 1984 – has forced 3i to reduce its overheads. Staff numbers have been cut from around 1,000 to 750 over the past two years and peripheral activities in property and management consultancy have been sold or closed down.

The tax advantages of investment trust status – which will allow 3i to shelter capital gains from tax – made this the natural choice for the company when its bank shareholders decided to sell. There are no fewer than 30 listed investment trusts specialising in unquoted company investments in the UK. But as a sector they have languished, largely ignored by the analysts and trading at large discounts to both their net assets and the investment trust sector generally. The first comprehensive review of the sector, published earlier this year by stockbrokers County NatWest WoodMac, revealed that at the end of 1990 the venture capital trusts were on an average discount of 29.6, nearly twice the level of the investment trust sector as a whole, though the gap has since narrowed.

David Marlow, chief executive, believes 3i's record of performance and the breadth of its portfolio will mean the discount, if any, will be very small. "3i is a unique international institution and this should be reflected in the price," he says. Some observers are not so sure. Part of the problem facing quoted venture capital trusts lies in explaining their underlying portfolio

■To next page

UK's LEADING VENTURE FUNDS

Company	Min (£'000)	Max (£'000)	Start Ups	Development	Replacement	MBO/MBI	Rescue	Telephone	Sector Preference
3i PLC	0	OPEN	Y	Y	Y	Y	Y	071 928 3131	O
Abacus Development Capital Limited	100	750	N	Y	Y	Y	N	071 323 5224	I
Abbott Business Consultants Limited	50	300	N	Y	Y	Y	N	061 835 3331	I,H,(F),(K),(M),(Q)
Aberdeen Fund Managers Limited	100	1000	P	Y	Y	Y	P	0224 631999	O,(K),(B)
Abingworth Management Limited	250	2000	Y	Y	Y	Y	P	071 839 6745	O
Advent International PLC	1000	15000	P	Y	Y	Y	P	071 333 0800	O
Advent Limited	500	3000	P	Y	Y	Y	P	071 630 9811	O,A,B,C,D,R,E,L,(N)
AIB Venture Capital	IR£250	IR£4,000	N	Y	Y	Y	N	071 606 5800	H,E,C,A,M,F,(D),(N)
Alta Berkeley Associates	250	1500	Y	Y	Y	Y	Y	071 734 4884	B,A,E,D,Q
Apax Partners & Co Ventures Ltd	500	10000	Y	Y	N	Y	N	071 872 6300	O
Arab International Trust Co. Limited	100	2000	N	N	Y	Y	Y	071 434 4141	C,F,I,K,L,N
Bank of Boston Limited	250	4000	N	Y	Y	Y	N	071 932 9261	O
Bankers Trust	500	OPEN	N	P	Y	Y	N	071 982 2500	O
Barclays Development Capital Limited	200	OPEN	N	Y	Y	Y	P	071 407 2389	H,R,I,K,M
Baring Capital Investors Limited	2000	OPEN	N	Y	Y	Y	N	071 408 1282	O
Baring Venture Partners Limited	0	1500	Y	P	Y	P	N	071 408 0555	O
Barnes Thomson Management	250	5000	P	Y	Y	Y	N	071 487 3970	B,A
Baronsmead PLC	200	2000	P	Y	Y	Y	N	071 242 4900	O,A,B
Biotechnology Investments Limited	50	3000	Y	Y	N	N	N	071 634 2886	D,E
Birmingham Technology Venture Capital Limited	10	250	Y	Y	P	Y	P	021 359 0981	A,B,D,E,H,K,L,C
British Steel (Industry) Limited	5	150	Y	Y	Y	Y	Y	0742-731 612	O,I,(H),(N),(M)
British Technology Group	200	1000	Y	Y	N	P	N	071 403 6666	O,(H),(M),(N)
Brown Shipley Development Capital Limited	1000	5000	N	Y	Y	Y	P	071 606 9833	O
Cambridge Capital Management Limited	200	700	N	Y	P	Y	P	0223 312856	O,(N),(P)
Candover Investments PLC	2500	OPEN	N	Y	P	Y	P	071 489 9848	O,(D),(F),(Q)
Capital Ventures Limited	500	5000	N	Y	P	Y	N	0242 584380	O
Causeway Capital Limited	1000	5000	Y	Y	Y	Y	Y	071 495 2525	O
Charterhouse Development Capital	500	25000	P	Y	Y	Y	N	071 248 4000	O
Charterhouse Venture Funds	500	4000	N	Y	Y	Y	Y	071 409 3232	E,F,R
Chartfield & Co. Limited	200	1000	N	Y	Y	Y	Y	071 608 1451	O
Chase Investment Bank Limited	500	10000	N	Y	Y	Y	P	071 726 5000	O
CINVen	250	OPEN	N	Y	Y	Y	P	071 245 6911	O
Close Investment Management Limited	500	5000	N	Y	Y	Y	Y	071 283 2241	O
Clydesdale Bank Equity Limited	250	3000	P	Y	Y	Y	Y	041 248 7070	O,(N),(P),(Q)
Consolidated Credits Investment Capital	50	2000	P	Y	P	P	N	081 998 8822	H,N,(B)
County NatWest Ventures Limited	100	OPEN	P	Y	Y	Y	N	071 375 5000	O,(D),(Q)
Cygnus Venture Partners	200	OPEN	Y	Y	Y	Y	Y	0895 272601	A,B,C,D,E,H,P
Dartington & Co. Securities Limited	100	250	N	Y	N	Y	N	0272 213206	O
DCC Limited	1000	10000	N	Y	Y	Y	P	071 491 0767	O
Derbyshire Enterprise Board Limited	50	500	Y	Y	Y	Y	Y	0246 207390	O,(N)
Doncaster Enterprise Agency (Finance)	10	100	Y	Y	N	Y	P	0302 340320	O
Dunedin Ventures Limited	150	1500	N	Y	Y	Y	Y	031 315 2500	O
E.M. Warburg, Pincus & Co International Ltd	5000	25000 +	P	Y	Y	Y	Y	071 321 0129	O
Eagle Star Investment Managers Limited	250	OPEN	Y	Y	Y	Y	Y	071 929 1111	O,(N)
ECI Ventures	1000	5000	Y	Y	Y	Y	Y	071 606 1000	O,(F),(N)
Electra Innvotec Limited	200	2000	Y	Y	P	N	N	071 831 9901	A,C,B,R,I,L,D,E,F,K
Electra Kingsway Limited	2000	OPEN	Y	Y	Y	Y	Y	071 831 6464	O
Enterprise Equity (NI) Limited	20	700	Y	Y	N	Y	N	0232 242500	O
Eurocontinental (Advisors) Limited	250	2500	P	Y	P	Y	P	071 600 1689	A,D,M,L,B
Fleming Ventures Limited	500	1000	N	Y	Y	Y	N	071 357 7372	A,B,C
Foreign & Colonial Ventures Limited	500	7500	N	Y	Y	Y	Y	071 782 9829	O
Gartmore Venture Capital	300	5000	Y	Y	Y	Y	Y	071 623 1212	O
GLE Development Capital / GLE Technology	5	500	Y	Y	Y	Y	Y	071 403 0300	O,Q
Granville & Co. Limited	200	OPEN	Y	Y	Y	Y	Y	071 488 1212	O
Great Winchester Capital Fund Managers	250	750	P	Y	Y	Y	Y	071 588 7575	O
Gresham Trust plc	300	1500	N	Y	Y	Y	P	071 606 6474	O,(N)
Grosvenor Venture Managers Limited	250	3000	N	Y	Y	Y	Y	0753 811812	O,(N)
Guinness Mahon Development Capital Limited	50	OPEN	N	Y	Y	Y	Y	071 623 9333	O
Hambro European Ventures Limited	150	OPEN	P	Y	Y	Y	Y	071 702 3693	O,(B),(C),(D)
Highlands and Islands Enterprise	0	400	Y	Y	N	Y	Y	0463 234171	O,(M),(N)
Hill Samuel Development Capital	750	5000	N	Y	Y	Y	Y	071 628 8011	O
HMG Group PLC	100	1000	Y	Y	Y	Y	Y	071 823 3838	O
Hodgson Martin Limited	100	1000	P	Y	P	Y	P	031 226 7644	O
Industrial Development Board for N. Ireland	0	OPEN	Y	P	N	P	Y	0232 233233	O
Invesco MIM Development Capital Limited	250	10000	P	Y	P	Y	N	071 626 3434	O
Ivory and Sime Development Capital	100	3000	N	Y	Y	Y	Y	031 225 1357	O
James Finlay Bank Limited	50	500	P	Y	P	Y	N	041 204 1321	O,(D),(K)
Kellock Ventures	100	400	Y	Y	N	Y	N	0734 585511	O
Kleinwort Benson Development Capital Limited	500	OPEN	P	Y	Y	Y	P	071 956 6600	O
Korda & Company Limited	50	700	Y	N	N	N	N	071 253 5882	B,D,R
Lancashire Enterprises PLC	0	500	Y	Y	Y	Y	Y	0772 203020	O
Larpent Newton & Co. Ltd	50	750	Y	Y	Y	N	Y	071 251 9111	A,B,D,L,C
Lazard Ventures	250	OPEN	N	Y	Y	Y	Y	071 588 2721	O,E
LEDU- Small Business Agency N. Ireland	3	450	Y	Y	N	Y	N	0232 491031	B,C,H,I,E
Legal and General Ventures	500	50000	Y	Y	Y	Y	Y	071 489 1888	O
Lloyds Development Capital Limited	300	OPEN	N	Y	Y	Y	N	071 600 3226	O,(N)
London Wall Industrial Consultants Limited	25	100	P	Y	P	Y	N	0923 285199	H,M,I
London Wall Investments	1000	OPEN	N	Y	Y	Y	P	071 638 5362	O,(D),(K),(N),(G)
Lothian Enterprise Limited	50	250	Y	Y	N	Y	P	031 220 2100	O,(N)
March Investment Fund Limited	100	1500	N	Y	Y	Y	P	061 872 3676	O,(Q)
Mercury Development Capital	2000	30000	P	Y	Y	Y	P	071 280 2800	O
Metrogroup Capital PLC	20	250	N	Y	Y	Y	Y	071 435 8281	A,H,Q
Midland Montagu Ventures Limited	500	OPEN	P	Y	Y	Y	P	071 260 0232	O
Morgan Grenfell Development Capital Limited	1000	20000	N	Y	Y	Y	Y	031 557 8600	O,(N),(D)
MTI Managers Limited	250	1000	Y	Y	N	Y	Y	0923 50244	A,B,C,D,E,I,K,L
Murray Johnstone Limited	250	10000	N	Y	Y	Y	N	041 226 3131	O
Noble & Co. Limited	50	OPEN	Y	Y	Y	Y	P	031 225 9677	O
Noble Grossart	100	3000	Y	Y	Y	Y	Y	031 226 7011	O
North of England Ventures Limited	200	2000	P	Y	Y	Y	Y	061 236 6600	O,(N)
Northern Venture Managers Limited	200	OPEN	Y	Y	Y	Y	Y	091 232 7068	O
Oakland Investment Management Limited	400	1000	N	Y	Y	Y	N	0672 20195	H,M,I,A,B
Octagon Investment Management	150	750	Y	Y	Y	Y	P	0223 423033	A,B,C,L
Oxford Seedcorn Capital Limited	10	100	Y	Y	N	N	N	0235 861919	A,B,C,D,E,F
Palatine Fund	250	1800	P	Y	Y	Y	N	061 834 2332	O,(N)
Phildrew Ventures	1000	15000	P	Y	Y	Y	P	071 628 6366	O,(F),(N)
Phoenix Fund Managers Limited	1000	2500	P	Y	Y	Y	Y	071 638 3818	A,F,H,R,I,L,M,Q,P
PIC Europe Ltd	10000	100000	N	N	Y	Y	N	071 283 8122	O
Piper Investment Management	100	1000	Y	Y	P	Y	P	071 727 3866	M,H
Prelude Technology Investments Limited	20	1000	Y	Y	N	N	P	0223 423132	C,D,E,I,L,K
Prudential Venture Managers Limited	1000	20000	P	Y	Y	Y	P	071 831 7747	O
Quayle Munro Limited	500	2000	N	Y	Y	Y	P	031 226 4421	F,H,R,I,M
Quester Capital Management Limited	100	1000	Y	Y	Y	Y	Y	071 222 5472	O
Regent Street Ventures Limited	75	1000	Y	Y	Y	Y	P	0226 296100	O,(G),(N)
Rothschild Ventures Limited	100	2500	Y	Y	Y	Y	Y	071 280 5000	O,(N)
Schroder Ventures	500	25000	Y	Y	Y	Y	Y	071 632 1000	E,B,C,H,(N),(F)
Scimitar Development Capital Limited	300	2500	N	Y	Y	Y	Y	071 487 5914	O,(N),(F)
Scottish Enterprise	5	2000	Y	Y	N	Y	Y	041 248 2700	B,C,D,E,F,I
Seed Capital Limited	5	40	Y	N	N	N	Y	0491 579999	C,I
Stewart, Ivory & Co. Limited	500	2000	P	Y	Y	Y	P	031 226 3271	O,(G),(N)
Sumit Equity Ventures Limited	150	3000	P	Y	Y	Y	Y	021 200 2244	I,M,C,O
Sun Life Investment Management Services Ltd	250	2000	P	Y	Y	Y	P	071 606 7788	O
Tayside Enterprise Board Limited	25	150	Y	Y	N	Y	P	0382 621030	O,(N),(R)
Thompson Clive & Partners Limited	500	4000	P	Y	Y	Y	Y	071 491 4809	A,B,C,E
Top Technology Ltd	50	500	Y	Y	P	N	P	071 242 9900	A,C,E,D,B
Transatlantic Capital (Bio Sciences) Limited	50	500	Y	Y	N	Y	Y	071 224 1193	D,E
Tufton Associates Ltd (TAL)	500	OPEN	N	Y	Y	Y	Y	071 222 8151	F,I,N,M
UBK Information Technology Partnership	50	500	Y	Y	P	P	Y	071 626 3422	O
Ulster Development Capital Limited	50	500	N	Y	Y	Y	Y	0232 246765	O
Ulster Venture Capital Limited	10	250	Y	Y	N	Y	Y	0232 246678	O
Venture Founders Limited	100	600	N	P	N	P	P	0895 824015	A,B,D,E,(N)
Welsh Development Agency	5	500	Y	Y	P	Y	P	0222 222666	O,(G),(H),(Q)
West Midlands Enterprise Board Limited	75	750	P	Y	P	Y	P	021 236 8855	O,(N),(F)
Yorkshire Bank Development Capital Limited	500	2000	N	Y	Y	Y	N	0532 442848	O,(N)
Yorkshire Enterprise Limited	50	500	Y	Y	Y	Y	Y	0532 374774	I
Yorkshire Fund Managers Limited	250	1250	N	Y	Y	Y	Y	0532 460132	O
Yorkshire Venture Capital	200	500	N	Y	Y	Y	N	0742 722272	O,(N)
Young Entrepreneurs Fund Limited	25	100	Y	Y	N	Y	N	081 783 1099	O

Key: Y = Yes, P = Possible, N = No. Sector Preferences: A = Communications, B = Computer Related, C = Other Electronic Related, D = Biotechnology, E = Medical, Health, F = Energy, Natural Resources, G = Agriculture, H = Consumer/Related Products, I = Industrial Products, K = Space and Aviation Industry, L = Industrial Automation, M = Wholesale, Trade, Distribution, N = Property, O = Anything, P = Financial Services, Q = Media/Entertainment, R = Chemical Industry. Any letter in brackets indicates a preference not to invest in that sector

Source: KPMG Corporate Finance

Charles Batchelor's guide to approaching venture capitalists

A mix of vision, skills and personality

FOR most of the decade the venture capital industry had far more money available than it has been able to invest. Yet despite venture capitalists' hunger for viable investments, fewer than one in ten of businesses which try to raise venture funding succeed.

Individual venture capitalists estimate that they back only 1 or 2 per cent of the proposals put to them, although since most entrepreneurs will approach more than one venture fund in their quest for finance, the percentage of deals to win approval will be higher.

So what are so many of the managers who attempt to raise venture finance doing wrong?

Some fail even to gain an appointment with the venture capitalist because their business plan does not make the right impression.

An early complaint of the industry (and of finance providers generally) was that business plans were insufficiently detailed, but the trend of recent years has been towards too much information.

Computers and spreadsheet programmes give too much scope for excessively detailed financial projections, and distract entrepreneurs from other important aspects of the business such as the products, markets and the management team. A brief (two page) summary explaining the outlines of the business proposal is essential, and should be followed by a carefully structured plan in detail.

The pages of "what if?" scenarios should be relegated to appendices.

Looking beyond the formal business plan, what is the venture capitalist looking for in the management team he backs? In the *Insider's Guide to Raising Venture Capital**, author Garry Sharp lists as the first requirement a leader with "entrepreneurial vision".

He explains this as an individual who has within him or herself the ability to make a business work and to make money. Some people can make money in a particular market because of their specific market knowledge or because they are favoured by a particular set of circumstances.

The true entrepreneur could make money in any market and under any circumstances, Sharp suggests.

This might be taken to indicate that the venture capital industry is out to back only supermen, but the ability to succeed in a variety of different situations results from a number of more mundane qualities. These include a thorough understanding of the influences on the market, a strategic vision which allows the company to exploit its competitive advantage, and the ability to respond to changing circumstances.

Supermen are in with a good chance — but the ability to succeed in different situations results from more mundane qualities

Alongside this core of entrepreneurial ability, the management team must also be able to show that it has actually run a similar business. Strategic vision is no use unless the managers have experience of, for example, running a production line, managing an office and making sales to customers.

Hands-on experience and industry contacts are essential.

The management team should ideally have the full range of skills – production, sales and finance – necessary to run the business. Venture capitalists are often willing to plug a gap in a team's expertise if they are sufficiently impressed by the skills already on offer.

But the more complete the team the better the chances of success.

The lack of a good management accounting, forecasting and information system is one of the most common weaknesses of small companies, says Mr Sharp.

Both the business and the market in which it operates should show potential for growth to provide the venture capitalist with the high returns he has promised his own investors.

Growth does not necessarily mean large increases in turnover and profits however.

Provided the cash flow is strong enough to cover interest payments, loans can be used to "gear up" the value of the equity investment and provide acceptable returns to the venture capitalist. But he will not want to invest in a single-product company which starts to stagnate when demand shifts on to newer products or technologies just at the stage when the venture capitalist wants to get his money out.

The growth of the venture capital industry in recent years has meant there are now about 120 different funds from which the entrepreneur can choose. He should not mail copies of his business plan to everyone, the experts advise, but should target those most likely to respond to his particular business proposal.

Finding the best match is not easy, however. Some venture capital firms specialise in high technology ventures or, say, the entertainment sector, but even these specialist funds are reluctant to become too dependent on one particular industry or type of company.

A crude but fairly effective measure is to rank funds by the size of investment they will make. The company looking for £1m to £2m is wasting its time contacting funds which specialise in financings of £5m-£10m.

A common complaint of entrepreneurs seeking funding is that venture capitalists turned down their request because they were not looking for enough money. Many venture funds claim they will make small amounts available but in practice they do not because it is not economic.

Most venture capitalists prefer to invest in companies not more than one or two hours' travelling time away from their offices because they need to be in close touch, especially if something goes wrong. A local venture fund is also more likely to be aware of local conditions which may have an impact on a business.

Raising venture capital is a demanding, often frustrating process and only the beginning of a relationship which will probably last for several years. The signing of the investment agreement marks a significant change in the company's circumstances, says Mr Sharp.

Apart from taking on a significant new shareholder the management team has committed itself to following an agreed strategy and business plan and to reporting regularly to an outside shareholder.

It has given undertakings which limit its ability to take certain strategic decisions and accepted a new board member with different expectations.

It is essential therefore, before any of the more formal aspects of the deal are considered, that the managers feel they can get on, on a personal level, with their chosen venture capital partner.

* *Published by Kogan Page. 210 pages. £14.95.*

Something of a gamble

■From previous page

to their investors. It will be very difficult to provide investors with a meaningful overview of a portfolio of 4,100 companies, say some analysts.

More important for the health of the UK economy as a whole is the question of whether 3i will continue to make the small, early stage investments or whether shareholder pressure will draw it inexorably towards the larger, later-stage deals which will produce a faster profit.

3i managers are adamant they will not shift the focus of their business, although a common complaint of private companies which obtain a stock market listing is of the market's short-termism. The long-term view, however, will be bolstered by 3i's organisational make-up and the structure of the deals it does.

3i's network of some 25 offices around the country gives it strong local contacts and the ability to spot good investment propositions at an early stage. This network is geared up to doing small but potentially very profitable deals. Secondly 3i's established method of putting together deals is to inject a slug of equity (on average about a quarter of the financing), a smaller layer of preference shares and a large slice of loan capital (about a half).

3i's deals are structured from the outset to produce a return in the form of a dividend and mean that a speedy sale and the realisation of a capital gain are less important than to many other venture capitalists.

Finally, 3i argues, its specialism is the smaller deal; ditching these to move towards the more competitive large-scale end of the market would erode its margins.

But what will a publicly-listed 3i do for the venture capital industry? Some observers say that, providing 3i performs well, it will make more institutional investors aware of the attractions of venture capital. Others fear that institutions will seize the opportunity to channel all their funds into 3i and abandon the job of selecting and monitoring investments in the smaller partnerships.

There is no doubt 3i's decision to go public is a gamble for the industry, the companies it backs and for 3i itself. All three can only hope that, with 46 years of assessing risk at the chanciest end of the investment spectrum, 3i will get it right.

Charles Batchelor

Norma Cohen examines the state of the industry's matchmakers

Slow inroads on Europe

FOR the European institutional investor, venture capital is still largely uncharted territory.

While in the US venture capital is likely to be a small but persistent slice of the overall portfolio, institutions in the UK and continental Europe have been less adventurous and more cautious.

And unlike US investors, European investors have found a paucity of "gatekeepers" to help them find appropriate investment opportunities. Among the handful of gatekeepers moving into the UK market is a subsidiary of the US insurance firm John Hancock, which specialises in such services in its home market.

Coller Isnard is a company which specialises in helping investors purchase interests in venture capital operations. Mr Jeremy Coller, its director, says: "Poor performance has put people off. Out of 400 teams out there (in Europe) not that many of them have come up with the goods."

Mr Coller says that investing in good venture capital management is a better route for most institutions than attempting to hand-pick investments themselves. "Picking venture capital investments is highly resource intensive. It means selecting teams, negotiating terms and measuring and reviewing financial performance." Because most institutional investors do not have the resources to devote to such activities, it makes more sense to hire someone to do it for them.

Meanwhile, Mr Coller argues, venture capital investment opportunities abound in Europe. In the US, only 10 per cent of companies are unquoted, while some 25 per cent are unquoted in Europe. European venture capital investments overall have risen sharply in recent years – from a total of Ecu3.4bn in 1984 to Ecu28.4bn in 1990. Of that, the lion's share is invested in Britain.

European venture capital investments overall have risen sharply in recent years — from Ecu3.4bn in 1984 to Ecu28.4bn in 1990

Postel Development Capital, the venture capital arm of the £20bn Postel pension fund, has been cautious about expanding its European investments, said its director, Mr John Brakell.

"Postel is an international investor in venture capital, mostly in the US and the UK. But we've been cautious about the continent for a variety of reasons." The fund looks to invest its money with local venture capital fund managers – a project which itself has been problematic.

In the early 1980s he said, the fund made direct investments in venture capital projects. "But that is very capital-intensive and we didn't really have the skills to carry it out well." The need for a gatekeeper is heightened by the structure through which venture capital investments are funnelled in continental Europe.

In France and Germany, he said, most venture funds were operated by banks which view them as an opportunity to develop their corporate finance and lending businesses.

Ms Angela Willetts, investment manager at Crossroads, a Birmingham-based gatekeeper, said it was not enough simply to analyse the value of underlying holdings when considering the merits of investing in a venture capital pool. Among other factors to be taken into consideration are the so-called hurdle rate – the rate of return to investors that must be passed before managers of the funds can take a slice of profit for themselves. Typically, that rate is 10 per cent or some return equated with those of UK government gilts.

Too low a hurdle rate can leave too big a portion of profit in the hands of fund managers. Also, the fee structure and the way in which profits are shared is a significant factor. Crossroads is cautious about recommending investments in venture capital pools where profits are passed through to a parent company, rather than left in the hands of fund managers. Such a structure acts as a disincentive to fund managers to make profitable investments.

Because information is not readily available, Crossroads relies on its personal contacts within the venture capital industry to make judgments about the efficacy of various investment funds. "Where realisations have occurred, we look at the role of the fund manager in its success." Ms Willetts noted that some fund managers were benefiting from a co-investors' efforts to bring a profitable entity to market and deserved little credit for the success of the sale.

She said her firm had concentrated on finding UK venture capital opportunities for domestic pension funds.

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HOW DO YOU KNOW YOU CAN DO SOMETHING IF YOU'VE NEVER DONE IT BEFORE?

The simple answer is that you don't. No one who has ever struck out on their own ever has and no one ever will. So, as you stare over the edge of a management buy-out, contemplate starting your own business, or face buying into another company, at 3i we understand if you feel somewhat daunted.

But, though it may be new to you, there are people who have gone before. After over 45 years of successfully investing capital in a wide range of companies, 3i has been involved with a substantial number of those people. And, for the vast majority, success has been achieved through their own determination and skill, combined with 3i's investment resource and business experience.

Our experience gives us a pretty accurate idea of how the business could develop before you even get started. Our financial resources allow us to be both flexible and sympathetic. This combination of a long-term view with our industrial skills enables us to understand and share the risks of the venture with you. 3i's long experience of investing in people like you can offer the best way of ensuring the success of your business. So, before you leap, just contact your local 3i office.

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Oracle in Open Systems

Markets, economies and businesses constantly experience change; the only aspect that varies is the rate of change.

Enterprises have to manage this change and managers require systems which help them deal with the resulting implications. In the past, systems were provided by proprietary centralised mainframes with their associated expensive data processing departments. Changing user requirements were hard to meet quickly.

These were also closed environments. An application written for one machine would not run on another, machines could not talk to each other; data was locked up in isolated data stores. There was little choice or flexibility available.

Things have changed significantly over recent years with the emergence of modern styles of management.

This change has been facilitated largely through the introduction and increasingly widespread use of personal computers. The PC has liberated managers from a dependency on DP departments but at the price of managing their own data.

Information is subsequently increasingly decentralised in modern organisations reflecting the move towards network management structures.

However, enterprises are not run by PCs. Multinational companies need to store and manipulate large amounts of data. To do this, minicomputers and mainframes are used. These are not as versatile or as user friendly as a PC, and what's more, they cost a lot more.

A further recent development is the significant reduction in the cost of UNIX mid-range computers. Typically used at the departmental level, these machines are positioned between mainframe and PCs and are at the heart of the Open Systems movement.

This trend has empowered users by encouraging competition between supplier, providing more choice for the consumer and reducing IT costs. It also provides a more flexible environment for developing systems.

The implementation of modern technologies such as Open Systems computing will form one of the critical success factors for flourishing enterprises. Consequently, the most successful IT companies will be those that are able to offer the benefits of Open Systems to their customers.

One of the leading suppliers in this arena today is Oracle Corporation. Oracle not only develops, owns and markets Open Systems technology, it also provides applications and solutions based on it.

"Open Systems are not just about providing technology but about the benefits derived from using this technology," notes Paul Burrin, Oracle UK's Open Systems business manager. "Benefits are realised by people using applications which enable businesses to be run more efficiently".

Another benefit of Open Systems is enabling users to take advantage of new technologies. "It is now possible to purchase massively parallel computers which deliver the processing power well beyond that offered by traditional mainframes at a fraction of the cost," says Burrin. "The applications and technology offered by Oracle enable our customers to take advantage of these benefits and maintain a clear competitive edge".

Propagating Open Systems by supplying components; providing solutions built using these components; and integrating today's Open Systems technologies with proprietary environments is all part of the Oracle philosophy.

Training: is quality maintained in a growing market?

By John Abbott

UNIX courses at Oracle: a 400% increase in demand

The ever-increasing installed based of UNIX computers has spawned a new industry for software and support organisations, who no longer need to be tied into the fortunes of a particular company or restricted to the low-end PC marketplace.

UNIX training, aside from that offered at universities and polytechnics, began as an adjunct to the services of small UNIX-specialist consultants, whose names – The Instruction Set and Kernel Technology for instance – betrayed their technical origins. The inner complexities of the UNIX operating system were long considered a black art, capable of being mastered only by a favoured few 'super-users'.

"UNIX vendors have concentrated too much on the technology", says Martin Butler, author of a recent report on trends in the UNIX marketplace*, "and not on how to use UNIX for commercial systems. There are very few courses, for instance, on how to write transaction processing applications".

But the situation is changing as mainstream vendors with demanding commercial customer bases ramp up their UNIX operations. Oracle Corp, for instance, the world's third largest software house, trained over 20,000 people in the UK during 1990, and offers UNIX-specific courses alongside its more traditional relational database and fourth-generation language courses. These can be linked-in with others to provide progression paths of courses for specific job functions, such as system administrators, application builders, database designers and project leaders. "Demand for our UNIX courses has leapt by over 400% in the last two years" stated Oracle's director of training services, Nick Williams.

And ICL, which has been in the training business for over a quarter of a century and claims to have established the UK's largest commercial training organisation for information technology, has now reached a point where over half of its courses are not ICL-specific. ICL offers courses for 40,000 delegates annually, and over the last 15 months has seen takeup of its UNIX training courses grow by 200 per cent. An early adopter of UNIX System V.4, ICL's David Holden, sales and marketing manager for the training division, now claims he "can't schedule enough V.4 courses to meet the demand".

What the industry has lacked to date is any form of independent guideline for determining the quality of the training courses on offer. Who says that a five day "introduction to UNIX" course from one vendor covers the same ground as another? And to what level does each course aspire to teach?

According to Patricia Arundel, marketing director of UI Europe, nobody had addressed the question until UNIX International launched its accreditation scheme for UNIX training courses. "We looked at the problem from the users' point-of-view", says Arundel. "Most companies hadn't got courses aimed at one specific job profile. They need systems administrators, not super-users". With the help of a nine-company industry task force, UI identified seven major areas of responsibility – user, advanced user, software developer, systems administrator, advanced systems administrator, network administrator and network consultant – and against these job functions have defined several hundred competencies as pre-requisite skills before attending the course, or mandatory skills to be covered by the course.

UI is working with the impartial UNIX user organisation UniForum UK, which employs consultants in the UK, France, Italy, Germany and the Netherlands to carry out the evaluation. Each course will carry a UI-accredited logo, and lists of accredited courses will be easily available to buyers.

Commercial and government user organisations issue procurement documents which carry a list of conformance requirements to various industry standards. "Up until now, training has been the one area where they couldn't put a tick in the box", says Arundel. "We hope this initiative will allow users to mandate quality training".

* *UNIX Market Trends and Migration Plans (MG Butler Associates, May 1991)*

OS, standards and technology investments

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set of approaches to individual problems is the complex process which X/Open sets out to manage, to the potential benefit of both users and vendors.

There are many, many organisations around the world (more than 100) either creating standards or sets of standards specifications. X/Open's specifications – contained in our X/Open Portability Guide or XPG – provide a fast-track to the output of all of those groups.

Peter Judge is a writer on technology whose new book, 'Standards Makers and Their Standards' is required reading for anyone with an interest in the subject. He makes the point that, even without a detailed knowledge of standards, there are basic questions that a purchaser can ask to qualify whether a vendor is really selling a standards-based product. He recommends, amongst others, "Is it in the XPG?" arguing that, "if a standard is in the XPG, then it is a solid standard".

With that basis now firmly established, business advantage follows. Standards-based Open Systems provide a dependable platform for innovation which insulates end users from rapid changes in technology, from technical complexity, and still delivers on its promise to give a business better control over its destiny.

By the end of the decade, the effectiveness of this approach will have been tested.

And the measure of its success will be – not how much technology we use, but how much more useful that technology has become.

PROFITING FROM OPEN SYSTEMS

UNIX INTERNATIONAL

A REVIEW BY UNIX INTERNATIONAL

INSIDE

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SVR4: driving Open Systems
● The foundation of UNIX System V Release 4 (SVR4) was laid in 1983. William Fellows demonstrates how the UNIX operating system dominates Open Systems. Page 2

Open Systems in the financial sector
● The financial sector has so far been one of the slowest to embrace Open Systems. Martin Whybrow leads the investigation into financial IT and the significance of on-line transaction processing in the financial arena, now that UNIX has grown up in OLTP terms. Page 3

Manufacturing impact
● The impact of UNIX in manufacturing is very high. Michael Powell explains why the relatively low growth foreseen in the upper part of the manufacturing marketplace reflects the domination UNIX already enjoys. Page 4

Governing change
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Open Systems in retail
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Training: is quality maintained in a growing market?
● Asks John Abbott. UNIX International has launched an accreditation scheme for UNIX training courses to reassure users. Page 8

Getting ahead with UNIX

By John Abbott, editor of UNIX News

"There are two things that most senior executives know about information technology. The first is that it costs too much. And the second is that it never works." So said Michael Earl, director of the Oxford Institute of Information Management, as quoted by Dr Pamela Gray at the head of her recently published book 'Open Systems, a Business Strategy for the 1990s'.

In many respects he was right. Implementing an information technology strategy within an organisation is invariably expensive, time-consuming, disruptive, and fraught with unforseen difficulties. One of the problems has been that technology has moved too fast for both the computer users and the computer industry itself to take stock of all its implications.

Ten years ago the minicomputer and mainframe were the undisputed champions of commerce and industry. All used operating systems software developed by the manufacturers themselves and not available on other machines. At the low-end, the market was dominated by desktop machines, which were all but wiped out within three years of the advent of the personal computer and MS-DOS in the early 1980s.

In parallel with the growth of the PC came the recognition that more powerful computers might also benefit from a standard operating system. AT&T's UNIX was the only serious contender. A rash of small start-ups began selling UNIX boxes from the mid-1980s, and gradually the larger companies followed suit, starting off with UNIX options as an adjunct to their mainstream proprietary sales. And so Open Systems was born.

So what exactly is 'Open Systems'? According to Patricia Arundel, marketing director with UNIX International Europe, the group of companies formed to evolve UNIX System Labs' SVR4, Open Systems "is not UNIX, Open Systems Interconnection, UNIX International or X/Open – it is about interoperability, portability, scalability and saving money". Today, the only operating system that offers those facilities is UNIX.

"UNIX is the key to unlocking the Open Systems concept," said Peter Cunningham, president and chief executive officer of UNIX International. "Without such a stable platform, the Open Systems movement could not have taken off in such a big way. Standards organisations have given vendors the direction for developing Open Systems products, but Open Systems would have remained just a concept were it not for the UNIX operating system enabling it all to happen."

While portability allows for applications software to be moved from machine to machine, interoperability is fast becoming the new buzzword. Interoperability implies more than interconnection with other computers, such as PCs and mainframes – it encompasses the ability to distribute applications across a network, so that individual hardware elements can work together as a balanced system. Client/server applications are an increasingly common manifestation of this.

Users benefit from the freedom to choose amongst the 90% of hardware suppliers that now offer UNIX on their systems. All of the systems integrators and consultants now have UNIX experience, and there are some 18,000 software products now on the market.

Peter Cunningham, president and CEO of UNIX International

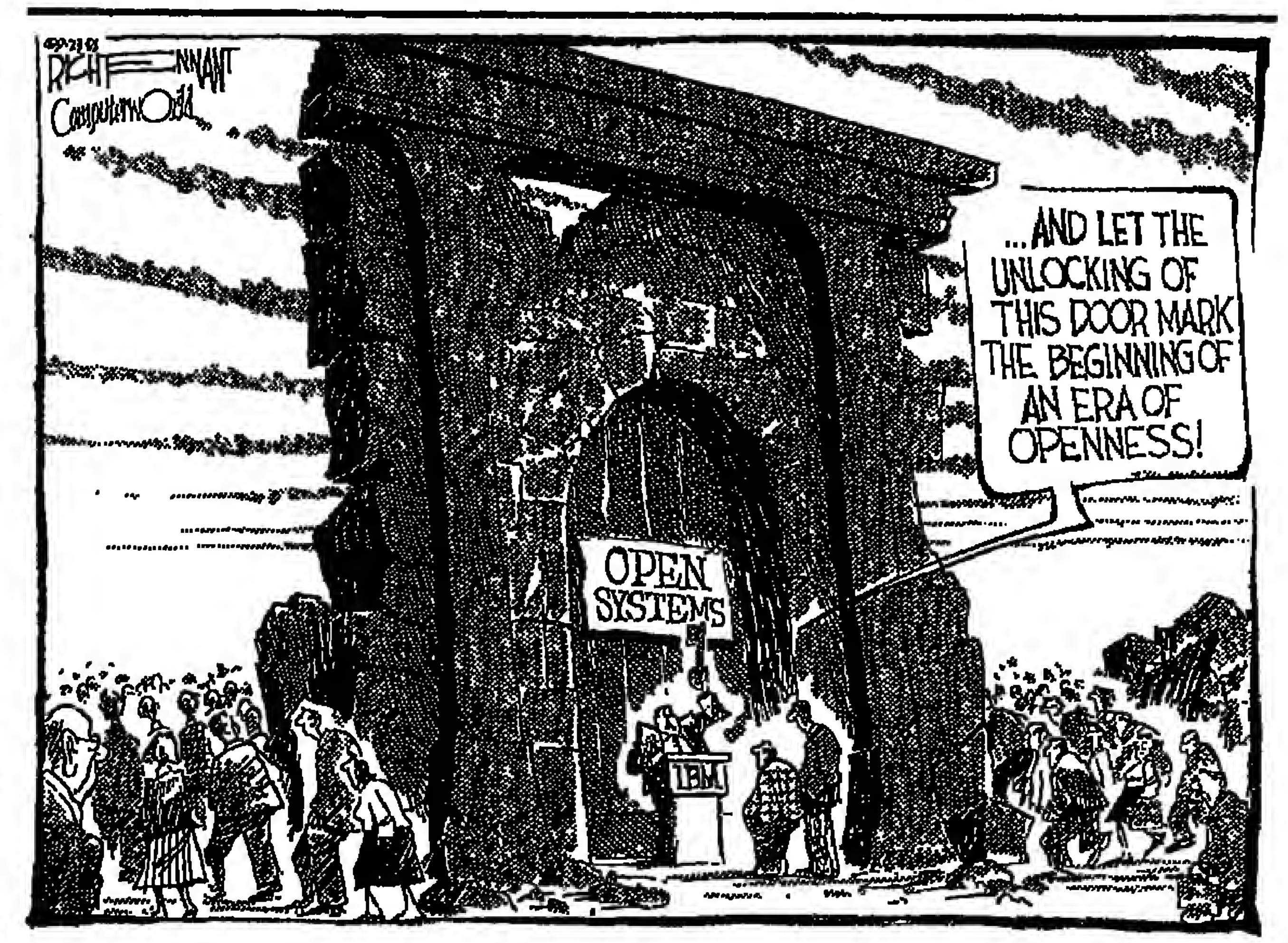
Information technology staff are easier to find, as UNIX is increasingly seen as a solid career choice for programmers and IT professionals – an important factor if you consider that 80% of systems costs are tied up in software and personnel, and only 20% on hardware. A lower turnover of staff can also lead to the faster and more reliable development of software and reduced maintenance costs – something furthered by the availability of new software tools promising greater productivity.

Cost of ownership over five years is also markedly cheaper when open and proprietary systems are compared, with a smaller initial outlay for the hardware and longer-lasting software.

Even in the traditional proprietary stronghold of transaction processing, UNIX and Open Systems are now making an impact on the conservative and wary worlds of banking and retail. According to US research company Datapro, the costs of on-line transaction processing are one tenth of those of a traditional mainframe per transaction.

Over the last year, lobby groups of large users have begun to define the sort of standards they require from hardware vendors, and X/Open, a long-established manufacturer-led consortium of hardware vendors offering Open Systems, has re-focused itself to become user-led. UNIX International's own 'user' membership has grown significantly over the past two years.

Dr Gray concludes her book by urging information technology users to take advantage of the new levels of control that industry trends have swept their way. All the signs are that they are doing just that.



Open Systems, standards and technology investments

By Geoff Morris, president and CEO of X/Open

The Open Systems movement is not just a technology movement. It is a movement that is creating whole new value chains throughout organisations – by allowing a radical revision of the management and use of information.

Of all the components of a management system, information is the most critical. Partly because of the alphabet puzzles which surround technology, the importance of standards-based systems can often be obscured. Yet they alone can unlock the information.

This is important, especially when business is confronted by an increasing pace of technological change. The product changes and upgrades that are now being offered by the computer industry have reduced hardware lifecycles to between 3 and 5 years. Applications built for these machines generally last longer, around 10 to 15 years. Information, though, lasts longer still. It may still be needed after 20 or 30 years.

Standards, by contrast, have a long life. While their scope continues to expand, a smooth upgrade path ensures that information remains accessible.

The aim of Open Systems is to maximise the investment in that long-term information resource by creating systems that work together, share the same software and are significantly easier to use. Because standards destroy the incompatibilities between systems, the costs of maintaining, swapping or upgrading systems is dramatically reduced.

Technological barriers prevent the easy integration of critical systems and technologies – yet this integration is vital for a company's internal productivity, supplier and buyer interaction, and its whole competitive position. Traditional proprietary barriers are unnecessary, debilitating, and a massive waste of money. With Open Systems, they are avoidable.

X/Open's concern is to provide – at any point in time, the most complete and practical set of specifications (based on formal standards) in order to get those business advantages early.

Open Systems is about value, not technology. The Open Systems value chain maximises the value of the information resource, and investments in hardware, software and people. The costs of expansion and change are kept to a minimum, the time-to-benefit of new technologies is vastly reduced, investment in products and skills is protected and the information resource becomes a future-proof corporate asset.

Yet Open Systems does have its foundation in technology. The resolution of incompatibilities in a standard

continued on page 8

The business case for UI-ATLAS

By Scott Hansen, managing director of UNIX International Europe

Scott Hansen of UI Europe

Survival in the economic climate of the '90's demands significant improvement in both employee productivity and quality. Many view the movement of decision-making closer to the 'people on the line' as the solution to this demand. With this notion has come rapid decentralisation of business functions and their attendant need for business information at a locally responsive level.

Information technology today is a key component of any successful organisation's operational structure. To provide accurate information where it is needed and as rapidly as possible is the challenge that faces the corporate information systems department today. In addition, the ability to access that information must be made as simple as possible for all those who require that access.

The solution to that challenge lies in the adoption of Open Systems strategies and in distributing computing power to where it is needed.

Having made the decision to adopt an Open Systems strategy and to distribute their operations, the three most important issues facing companies are:

1. How to ensure that computer purchases today will remain compatible with what is purchased tomorrow
2. How to ensure that the computer purchases made yesterday will interoperate with the new systems
3. How to manage the flow of information effectively – not just today but tomorrow and into the next century.

Until now, individual suppliers have been left to provide their own solutions to these issues. This was fine, so long as you kept within that supplier's individual product range. As soon as you tried to go outside that, things began to get a bit more complicated. The solutions that existed did not easily allow the sharing of computer resources and their data in different sites if there were many different types of machines from different suppliers involved.

UNIX International set out to develop a distributed computing framework to address these needs. A framework that would allow computers from different manufacturers to work together and which also allowed users to choose between a number of competing solutions, both in terms of the hardware equipment and the applications programs and other software components that make up a distributed computing environment.

The solution is UI-ATLAS™. A complete Open Systems information technology environment, it is based on Industry Standards which will be supporting the business needs of the 1990s and beyond.

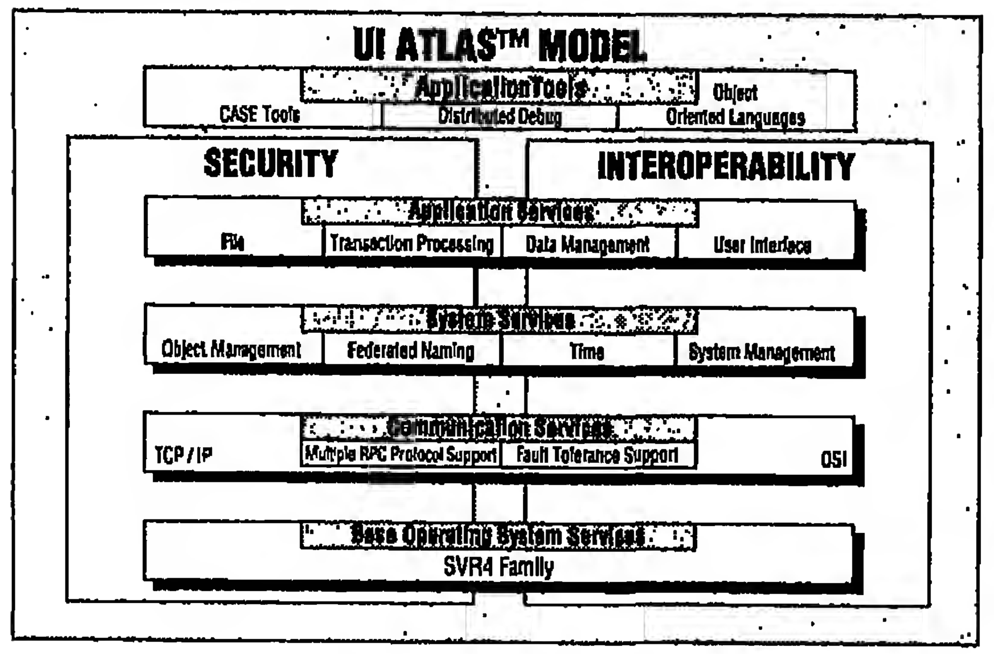
But more than that, UNIX International has solved this problem by taking a step away from the usual product approach. Rather than standardising on any single product in a given area where a need for standardisation is required, UI has chosen to standardise on the interface to which a number of different products can adhere.

These interfaces, known as Application Programming Interfaces (APIs), will allow a number of different solutions to the same technology requirement to be developed.

The result: organisations will have a number of products to choose from based upon their own particular needs in terms of functionality, performance and price targets. In addition, as the UI-ATLAS technology evolves, it will be controlled by the industry as a whole, not directed by any single vendor.

UI-ATLAS enables the deployment of cost effective computing without disrupting current computing envionments. It offers a rich set of features to take advantage of improved system and application services. UI-ATLAS also provides the tools needed to develop new applications which will run over a diverse set of systems, providing a new way in which to utilise existing and future information technology investments.

The full suite of components defined in the UI-ATLAS model will be available through systems and software vendors over the next two to three years.



Future directions for SVR4

By Bob Mitze, managing director of USL Europe

The success of UNIX System V Release 4.0 (SVR4) is now obvious. UNIX System Laboratories Europe has been delighted with the way SVR4 has been taken up by virtually every computer manufacturer. More important, it is now seeing demand for UNIX spread across the full spectrum of computing, from mainframe and supercomputers down to desktop PCs and workstations.

SVR4 unites the major, popular versions of UNIX into a single operating system. USL has also worked hard to extend the functions and features of the product, in accordance with UNIX International's (UI) UNIX System V Roadmap.

With 1992 fast approaching it is of crucial importance to allow developers to access the operating system in their own language. The new release of the operating system, SVR4.1 now includes international enabling features in the base product and localisation products can be added on top, allowing systems messages to be shown in many languages. The new enhanced security release, SVR4.1 ES, provides the highest level of security available today (B2+ level security as defined by the US National Computer Security Centre), making SVR4 the operating system of choice for both commercial and government organisations.

SVR4 Multi-Processor has also just been announced. This gives vendors, value added resellers, integrators and end users the first widely supported, standards-compliant, high performance platform for multiprocessing applications. As with all new and future releases of SVR4, SVR4 MP will run all applications and driver software that has already been produced for SVR4. If a developer builds to an SVR4 application binary interface, he can be sure that his application is portable to all future versions of SVR4.

So where lies the future? Increasingly, as we move through the 1990s, we will see UNIX move more onto the desktop. We will also see distributed solutions becoming the norm rather than the exception. As end user organisations, large and small, move towards truly distributed computer systems, they are discovering that UNIX and the Open Systems market already has as much and more to offer than traditional, proprietary solutions.

The speed with which all this is happening is evidence both of the health and success of SVR4 as it develops to meet the true needs of the Open Systems market.

SVR4: driving Open Systems

By William Fellows, editor of UnigramIX

The foundation of UNIX System V Release 4 (SVR4) was laid in 1983. The latest version of this specifies an operating system environment in which users can create applications that are independent of any particular brand of computer hardware.

USL (UNIX System Laboratories), the owner of UNIX, has now sold 294 source code licences to SVR4, which is one or more for virtually every computer manufacturer. It is available in most European languages and others are on the way. Some 17,500 applications are now available for SVR4 on computers built around 11 different types of microprocessor design, and UI expects to have 30,000 applications under its belt by 1994.

To achieve this goal it has initiated a programme to encourage software companies to bring applications across to SVR4 from other environments. 600 companies have signed on the programme so far, bringing 1,500 applications with them.

According to market research firm IDC, (International Data Corp), sales of commercial computer systems running UNIX were worth $6,920m last year, a 45% – and growing share of the total value of UNIX machines sold. UNIX systems accounted for 10% of the total computer market in the same period, a share set to rise to 21% – worth some $63,700m – by 1994.

IDC further predicts that the European UNIX systems marketplace will have a compound annual growth rate (CAGR) of 19% for the next six years. The workstation segment is predicted as leading the way with a staggering 39% CAGR, followed by the PC marketplace with a growth rate of 21%.

With growth of the UNIX market now outstripping the sluggish performance of the IT industry as a whole by a growing margin, and sales of its SVR4 product gaining momentum, UI is in a strong position to inhabit an installed base of UNIX computers which stands at 2 million now, and is expected to reach 10 million by 1994.

Already, versions of UNIX based upon System V account for over 80% of all the different types of UNIX in the marketplace. Furthermore, the brands of computers which IDC has identified as likely to make the most significant gains in the commercial sector, will all be running SVR4 by next year.

UniForum, an organisation dedicated to the development of Open Systems, says 52% of its members currently use UNIX System V, the rest using UNIX derivatives. A recent UniForum survey showed that 46% of respondents plan to upgrade to SVR4 – this is one of the truest measures of the tide of users now realising the benefits of Open Systems and taking the UNIX route.

Some UI UK members . . .

ICL

■ As a founder member of both X/Open and UNIX International, ICL has been at the forefront of the Open Systems movement in Europe since its inception.

Open Systems and conformance to Open Systems standards form the basis of ICL's product strategy. ICL was the first supplier to make UNIX System V Release 4.0 available to the market with the launch of its DRS 6000 systems in January 1990.

The company's approach to Open Systems has been duly recognised, most recently with the ROSA award to ICL as Open Systems supplier of the year in the UK. This was an endorsement of a number of achievements in the last year, notably including the receipt of the X/Open branding for its mainframe operating system.

In 1990 ICL had approximately 20% of the overall UK market for business systems. Additionally, the company is the leading supplier in the UK of retail systems with 37% market share, local government with 50% market share, and to UK central government and associated departments.

INTERACTIVE

■ Founded in 1977, in its early years INTERACTIVE earned a solid reputation as the UNIX technical services company writing such systems as AIX for IBM and UNIX for DEC VAX/VMS, before entering the UNIX packaged product arena in 1987 with the first commercial UNIX V.3 for the 386 platform.

As a result of the technical expertise and worldwide distribution skills, in early 1991, the company was named worldwide Principal Publisher of UNIX System V Release 4 (SVR4) by AT&T/USL and Intel.

Further, in November 1991, INTERACTIVE delivered the latest version of its UNIX V.3.2 product, without doubt the most stable version of UNIX that can be bought on today's market incorporating the latest X/Open internationalisation standards (XPG3) and a much enhanced X11. A clear economic upgrade path from UNIX V.3.2 to UNIX SVR4 and other future products is provided by INTERACTIVE and the company continues to pioneer UNIX SVR4 as the new open systems standard alongside companies such as ICL, NCR and Olivetti.

IXI

■ IXI Limited is an independent software vendor which develops graphical user interface technology for corporates implementing an Open Systems strategy. IXI's flagship product, X.desktop, is helping thousands of users make their first steps into UNIX computing. X.desktop is bundled with the Motif graphical user interface from major UNIX vendors such as IBM, SCO, NCR, Unisys, Bull, ICL and 14 others.

X.desktop has become the leading point and click interface for UNIX systems because of its support for industry standards (X Windows, Motif, X/Open XPG 3) and its wide availability.

Since IXI's foundation in 1987, it has established its position as an expert on X Window System technology. As a member of UNIX International, IXI is actively involved in discussions on graphical user interface developments. Also as a member of the X Consortium, IXI has submitted technology which will lead to a tightly integrated software environment.

IXI's customer base spans the globe and is supported through divisional head offices in North America and Japan.

JSB

■ As time progresses, technology continues to move forward. This places IT departments in a dilemma as they try to develop strategies which protect their current investment whilst embracing new technology. Today's computer users can have either a character terminal, a PC or an 'X' workstation on their desktops and IT strategists need to develop solutions which embrace all these environments.

JSB Computer Systems Ltd recognises these problems. Based in Macclesfield, northwest England, JSB was founded in 1981. JSB has developed a family of open systems solutions which provide quality windowed interfaces for standard computing environments, connecting and integrating users with UNIX systems.

The JSB MultiView Family provides windows on character terminals, seamless integration of PC and UNIX systems and graphical interfaces for existing UNIX applications.

JSB is recognised worldwide as a leading force in user interface and integration technology and building upon its international reputation has opened an American subsidiary, JSB Corporation.

NCR

■ As the first major computer company to make a firm commitment to UNIX in 1982, NCR was already an established player in open systems when it announced its Open, Cooperative Computing Architecture last year. The OCCA strategy or blueprint reinforces this commitment by providing strategic hardware, software and networking platforms based on industry standards.

The NCR System 3000 range is the broadest end-to-end family of fully compatible computers in the world, offering complete scalability from desktops and large servers right through to massively parallel processing systems.

Cooperation, NCR's integrated suite of software, creates a powerful platform to link general business functions, existing proprietary and custom developed applications into an enterprise-wide system. NCR's Open Network System provides the backbone to link multiple networks so users can share data and applications.

These products, combined with NCR's innovative use of the very latest technology, have already served to shape its success in several industry sectors.

OLIVETTI

■ Olivetti Systems & Networks (OSN) – a company designed around Open Systems – markets business solutions based on open industry standards. It is part of the international Olivetti Group which was founded in 1908 and is now the third largest information technology company in Europe.

OSN delivers open solutions and support designed to meet specific business needs, by working with its corporate customers and Systems Partners. This process is supported by its strategic partnerships, alliances and joint ventures with leading hardware and software developers and vendors.

OSN customers in the UK include major banks and building societies, leading retail chains and energy sector players. Virtually all systems shipped by OSN within the UK are open systems and products.

In addition to manufacturing high performance mini-computers, personal computers and workstations, OSN sources a wide range of applications software and provides comprehensive technical support services including third party maintenance and prime contracting.

ORACLE

■ Oracle is a $1 billion corporation, trading in 92 countries. Its products run on over 100 different hardware platforms, support in excess of thirty different networking protocols, and are compatible with a host of defacto and industry standards.

To succeed as a leading Open Systems vendor, Oracle Corporation believes it must create partnerships with its customers which allow understanding and participation in their business.

The backbone of Oracle's services is support – global, real-time, multi-level support offered in the local language, and reinforced by Consulting Services. Oracle Education Services provides 53 education centres around the world, and Oracle's systems integration divisions offer single-source responsibility for complete system design and installation.

Oracle leads the way in the introduction of technology for distributed systems, CASE and user interfaces. Last year it invested $131m in research and development.

Its world-wide engineering, manufacturing and distribution organisations have a commitment to quality to ensure its customers succeed.

PYRAMID

■ For over ten years, Pyramid Technology has set the standard for open systems business computing with its family of high performance servers and its commercial implementation of the UNIX operating system. Pyramid's MIServer line brings the qualities of mainframe performance to open systems computing. These systems meet the database and on-line transaction processing needs of corporate data processing – all supported by Pyramid's own service organisation. One quarter of the company's workforce, it plays a vital role in keeping businesses on-line.

Since 1983, Pyramid has based its products on reduced instruction set computing (RISC). Its new product line, the MIServer S Series, continues this commitment and is the first symmetric multiprocessing operating system, using UNIX SVR4, based on the MIPS RISC processor. The first systems have already been installed, providing up to 100% increase in performance over the previous T Series.

Pyramid co-operates fully with UNIX Systems Laboratories on the continuing development of SVR4 standards.

TANDEM

■ Tandem has over 15 years leadership in the development of high performance, fault tolerant systems for users demanding continuous availability from their computer systems.

Its INTEGRITY range, which runs standard UNIX System V, prevents any single hardware failure from interrupting processing. It ensures that file systems and data are not compromised in the event of power failure and it allows malfunctioning components to be serviced and brought back on-line while the system continues to operate.

By using RISC microprocessors from MIPS and an advanced optimising compiler, the systems deliver outstanding processing speed and efficiency. The system's design also allows it to keep pace with the rapid increases in RISC CPU performance.

Tandem is a $2bn American corporation comprising multiple high technology businesses. It maintains a network of sales and service offices throughout the world. Customers include telecommunications companies, financial institutions, retail chains and manufacturers, in diverse industries.

UNISYS

■ In the spring of 1988 Unisys formalised its strategic direction in Open Systems, stating "Openness will become the primary characteristic that users all over the world will associate with Unisys... Openness will be our primary differentiator and competitive advantage".

Since that statement Unisys has made significant progress in providing its users with the freedom to move into an open environment. Unisys is now one of the worlds' leading suppliers of commercial UNIX and in attempting to differentiate its open products, Unisys looks to differentiation by quality and adherence to standards rather than to proprietary extensions to standards.

Its Value Added Platform (VAP) for UNIX consists of 50 different products from more than thirty suppliers of UNIX software. Unisys provides these in a co-ordinated release strategy that guarantees compatibility and interoperability now and in future releases.

Unisys states the measure of its open systems strategy as being that its users will stay Unisys users not because they have to, but because they want to.

USL

■ UNIX System Laboratories (USL) is a majority-owned subsidiary of AT&T. It owns the UNIX System V operating system, having taken over the rights to the technology from AT&T when the company was formed. The company works closely with UNIX International (UI) within the framework of the UI Roadmap to establish the present direction and future development of UNIX System V.

UNIX System Laboratories Europe (USLE) has responsibility for the sales and marketing of UNIX System V and associated products throughout Europe. It is also responsible for the development and internationalisation of these products for the European marketplace.

The associated technologies available from USLE include products covering such areas as transaction processing, graphics, internationalisation, security, multiprocessing, OSI and C++.

USLE licenses these products in a 'source code' form to original equipment manufacturers, major independent software vendors and systems integrators.

UI UKMG

UK Marketing Group

■ UI UK Marketing Group was set up around a year ago, "to get a common message going on UNIX and Open Systems in the UK". It reports directly to UI Europe and is run by staff from member companies.

Representatives from the 29 UKMG members (from a total of over 250 UI members worldwide), which includes an Irish sub-group, meet every quarter. UKMG's steering committee includes chairman Graham Taylor of ICL, vice-chairman Basil Cousins of Olivetti, and Patricia Arundel of UI Europe.

The primary objective of UKMG is to develop a range of marketing programmes encouraging the UK user community to adopt Open Systems strategies. It targets Government agencies, key end users, independent software vendors, value-added resellers and educational establishments as potential recruits.

As well as promoting an awareness of UI, UKMG is also a mechanism for activities and initiatives which support the common objectives of its member companies.

UKMG can be contacted through the above named people.

An evolutionary approach to integration

The key issue facing IT managers is how to equate his or her organisation's demands for user-driven open systems computing with its already significant investment in centralised hardware, applications, and wide range of peripheral resources such as PCs, multi-user systems and local area networks.

Client/server solutions are increasingly being seen as a solution to this dilemma, avoiding complex hardware and connectivity issues and providing clear user benefits. These include powerful, well-presented applications, fast access to information from many sources, and the ability to communicate quickly and effortlessly with colleagues.

Client/server computing goes beyond Open Systems. It addresses fundamental technical factors such as portability and interoperability. True portability means that applications can be implemented on any supported hardware, and will operate identically – in both processing and presentation. Such co-operative processing is inherently simpler with truly portable applications. Portability must be backed by interoperability – between different databases and programs, for example. It is not enough just to have compatible data structures – data and function requests being exchanged must be standardised and understood on a fundamental level.

Software AG has developed its ENTIRE Function Server technology to provide its customers with a smooth transition from proprietary mainframe environments to open distributed systems. It provides an evolutionary approach to client/server computing, which can be adopted step-by-step without compromising existing IT investment.

ENTIRE extends Software AG's existing Integrated Software Architecture into the client/server arena by providing facilities for open, multi-platform computing based on accepted standards and consistent user-interfaces.

Using open logical communication protocols, ENTIRE makes it possible to link heterogeneous environments seamlessly – shielding end-users from the complexity of physical protocols.

It maximises the functionality available across multiple platforms, enabling organisations to interconnect platforms and applications and exploit the IT potential of each to the full.

Where's the Open support?

"We're all for Open Systems in principle, but how do we go about ensuring our move is trouble-free?" is a widely voiced management concern. Open Systems projects present management with logistical challenges, and a potentially high level of risk. Support for the move to Open Systems has so far received little attention.

Olivetti Systems & Networks (OSN) calls this type of service "Open Support" says OSN Customer Support Group general manager Alan Watson. "It covers much more than simple hardware maintenance, encompassing software upgrading, site management, user training, cabling installation, network management and help desks."

"Talking about 'standard support services' is a contradiction in terms – to be truly effective in an Open Systems environment, IT support must be tailored to the needs of each customer."

In practice Open Support services are often most effective when they complement an organisation's own personnel resources in the move to Open Systems. IT managers may not have the resources to manage distributed sites and cope with user training responsibilities.

An Open Support supplier can provide personnel on a short or longer-term basis for tasks such as site management, software upgrading, network management, user training and help desk management, so freeing an organisation's own IT personnel to be used more productively.

An Open Support specialist can also take on the pre-implementation tasks of warehousing, testing and configuring new system components.

Open Support represents an extension of the current range of 'single source' contracts increasingly used by the UK's major organisations. As well as rationalising the number of suppliers, single source provides the potential of significant cost savings on IT support. For instance, when Barclays Bank signed a single support contract with OSN replacing over 300 individual suppliers, it not only simplified its support management, but also achieved savings of over £5 million in the first year.

IT suppliers have been slow to offer this kind of service. As Alan Watson observes, "Users need to start demanding more focused IT support if they are to take advantage of Open Systems".

Delivering solutions to the UNIX marketplace

The fundamental concept of Open Systems - in which UNIX is destined to play such an important role - is the ability to link any computer to another, communicate between them and share information and applications. But perhaps most important of all is the ability to distribute processing work to the most appropriate system, regardless of the operating systems or hardware platform.

Computer Associates (CA) first indicated its intention to provide Open Systems-based solutions in May 1990 when it announced a software architecture called CA90s: Computing Architecture For The 90s. CA90s has determined the direction of all CA's products and become a blueprint for the development of all future software.

One of the guiding principles of CA90s is a commitment to provide integrated, fully portable software solutions across multiple operating environments. This provides CA's customers with the flexibility to choose the hardware platform that best suits their processing needs.

Today, CA is fulfilling that commitment through, among other initiatives, a series of strategic development agreements with hardware manufacturers to enable CA to bring its portfolio of software solutions to the Open Systems marketplace.

CA believes that the availability of UNIX-based software solutions – which are compatible with CA's software – on mainframe, midrange and desktop systems, will enable its customers to select solutions and systems that offer the best price/performance.

"We are committed to providing software solutions for the growing UNIX market," says CA's UK managing director Abram Azagury. "Compatible UNIX-based solutions ensure a practical migration path to Open Systems. This protects our customers' investment in data, applications and staff, while providing for future growth."

Factors such as the "downsizing" of hardware – where the same performance is available from computers of smaller and smaller size and at a consequent lower cost – make today's workstation an excellent platform for UNIX. However, CA believes that the real issue here is "rightsizing", rather than "downsizing." According to Azagury "rightsizing" means "providing the right system for the right job and the right workload."

"The A370-class mainframe is no longer the only solution, nor is a completely UNIX-based system the only solution," he says. "The right solution might be a single PC, a network of PCs, a group of UNIX workstations, a midrange system and a mainframe – or any combination of these."

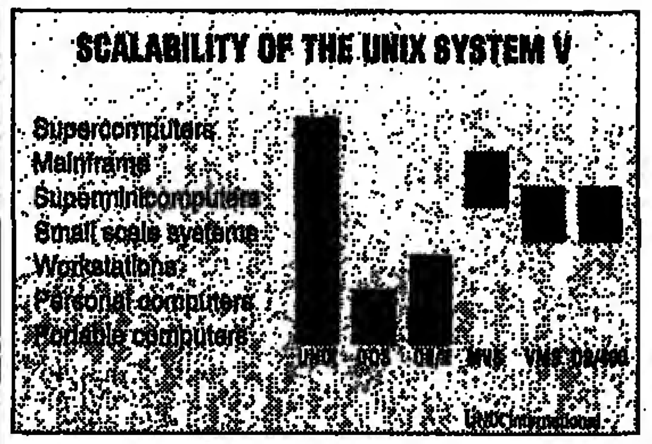
CA believes that it has pioneered much of the technology that will enable the move towards Open Systems. Azagury sees Open Systems providing many benefits: "First of all it offers heterogeneous computing," he says. "It also means that computer users no longer need to make decisions based on the hardware platform. Perhaps more fundamentally, it means that the computer user will increasingly determine the future direction of Information Technology within their organisations."

Flexibility and choice is the key

Open Systems is based on the belief that competitive choice and flexibility are the prime requirements of computer users in the 1990s. Open Systems delivers a multi-vendor, multi-source computing solution. Users are not locked in to one proprietary supplier. By promoting a highly competitive market, Open Systems provide better value computing.

The cornerstone of Open Systems is the use of standards. Sun has demonstrated its commitment to Open Systems by setting, endorsing and promoting industry standards. Through quality and market penetration Sun's technologies have become industry standards, providing a focus for Open Systems computing.

Sun has broken with proprietary tradition by openly promoting clones and compatibles and by providing technological innovations to the industry for free, or at very low cost. In other words, it's approach is defined by what Open Systems are, or should be, about: flexibility, configurability and choice.



Open for business

The challenge facing Information Technology today is to create solutions which provide real business benefits in an era of rapidly changing market demand, short-lived opportunities and high speed decision making.

To achieve this an integrated approach to IT is essential. Proprietary system solutions create islands of information whose incompatibilities make collaborations and effective dealings with suppliers and customers very difficult. Instead of increasing organisational flexibility, IT systems can become a barrier to change.

There is an alternative which is gaining increasing attention from business communities operating in today's pressured and competitive environment. That alternative is Open Systems. Open Systems is an attitude of mind much more than individual standards. The ICL approach to Open Systems has a direct impact on both ICL's success and the business benefits that ICL delivers to its customers.

Open Systems allow Information Technology to evolve as the enterprise changes. ICL has been using Open Systems to provide the infrastructure that supports its own acquisitions and expansion. The same flexibility has been enjoyed by ICL customers across the world. The results speak for themselves. Not only is ICL profitable and expanding, but the recent choice of ICL as the first UK Open Systems supplier of the year (for 1991) underlines the success that the ICL focus on Open Systems has delivered.

ICL has used Open Systems to develop new ways of doing business. ICL Contract Programming Services is a software development business largely staffed by home workers using Open Systems links to the ICL network. With ICL the 'telecommuter' is already a reality, and ICL is already passing on its experience and advice to its customers to help them exploit telecommuting as an alternative to the daily trip to the office.

The business benefits of Open Systems are available to everyone who is prepared to make the investment to understand what Open Systems offer. Of course ICL, as the leading Open Systems supplier in the UK, expects to be your natural partner for your move into Open Systems.

Maximising choice

The essence of Open Systems is the choice it offers the computer user and purchaser: lose sight of that, and the computer industry has created yet another technological straightjacket. Prime's strategy for Open Systems is very much focused on maximising choice. Part of that choice is being able to move smoothly to Open Systems as and when there is a business advantage in doing so. Information systems are an integral part of the business process, and companies' IT strategies should reflect this – the move should not come because of supplier pressure.

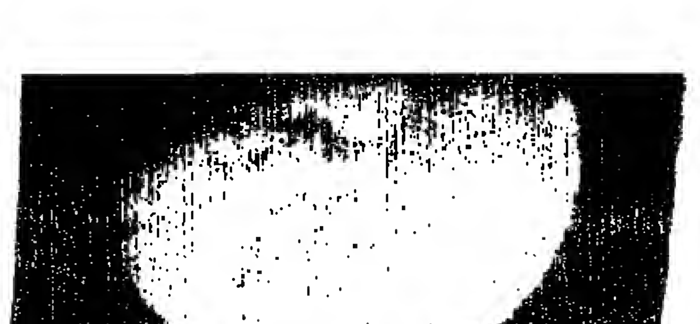
The cost traditionally associated with proprietary systems, plus the availability of new facilities, new ways of working, on UNIX-based systems, can all put the IT department under pressure to move faster than the organisation itself can accommodate. That is not good for the customer's business, and makes no friends for Open Systems.

Prime's solution, the EXL 7000 Series based on state of the art RISC processors, offers impressive levels of performance and a vast range of proven and robust commercial packages available off the shelf. These systems are designed to meet the highly diverse needs of the Open Systems environment, demonstrating commitment to industry standards to maximise flexibility and choice.

A very flexible rental scheme gives customers freedom to upgrade to Prime's newer technology proprietary systems, pending a later, planned move to Open Systems. That strategy is enabled by the compatibility of software offered within both UNIX and proprietary ranges.

Transition to the EXL 7000 Series is almost uniquely straightforward – applications developed in the relational-like Prime INFORMATION database on proprietary systems run unchanged on the EXL 7000 Series, without porting.

All these factors contribute to making the decision to move to Open Systems what it should be – a business decision.



Open Systems in the financial sector

By Martin Whybrow, financial IT specialist

The financial sector has so far been one of the slowest to embrace Open Systems. But, having dragged its feet for quite long enough, the situation now seems to be changing. To date, UNIX has really only made significant inroads in the dealing rooms, where the analytical power of UNIX boxes has been welcomed for running decision support applications. But other areas of the financial sector will not remain untouched for long.

Large US banks such as Salomon Brothers are enthusiastic in their uptake of UNIX. UNIX International includes among its members two of the largest banks in the US – BankAmerica and Citicorp. In the UK, Barclays and NatWest have both opted for UNIX in their branches. Building societies, insurance companies and banks large and small are all starting to move away from systems that have traditionally been proprietary.

Why the belated shift? UNIX for a long while was unable to address some of the prime demands of the financial sector. Poor systems security and sluggish high-end performance were particular deterrents. Both of these problems have faded over the last few years. But as it has matured and broken out into the commercial mainstream, so the problems have been addressed.

Improvements have also been made to the high-end performance of UNIX, particularly in the heavily On-line Transaction Processing (OLTP) environments favoured by many banks. This is reflected in the fact that growth in the Open Systems OLTP market is around 18% higher than in the large, number-crunching, mainframe-based applications.

For users, a prime attraction of UNIX is reduced overheads – in terms of hardware, software licences and support staff compared to traditional mainframes. Many banks used to throw huge amounts of money at IT, but those days are gone.

There is also the benefit of being better able to integrate systems. This is important where mergers and acquisitions take place. It is also important as banks increasingly try to integrate their own systems to facilitate global risk management.

Generally, banks are tending to think much harder and longer about their IT strategies this time around. At the end of such deliberations, many are coming down in favour of Open Systems.

OLTP: changing management strategy for the 90s

UNIX and On-Line Transaction Processing is no longer a contradiction in terms, even for larger organisations. As Unisys points out, a major break-through has taken OLTP into a truly open environment.

Management thinking about how computers can best be used to deliver business benefit and competitive advantage has undergone some radical shifts in recent years.

The timely combination of vastly enhanced processing power and Open Systems with strategic business imperatives put a significant new focus on corporate IT priorities.

One of the most logical, yet radical, responses to those changed business needs has been the emergence of 'departmental computing' – effective business information at the sharp end, away from the bottlenecks, internal competition and costs of centralised mainframes.

Until recently one of the biggest obstacles to effective development of such systems has been their inability to support On-Line Transaction Processing (OLTP).

Traditionally, UNIX and OLTP would have seemed a contradiction in terms. OLTP was deemed to be for the vast, dedicated, high performance database applications such as airline reservation systems or on-line banking. UNIX could offer neither the transaction control nor the data integrity facilities to compete with traditional mainframe offerings.

However, market needs were already driving the production of solutions. The price/performance advantages of UNIX hastened the development of smaller scale OLTP applications in UNIX environments.

With the help of a suitable relational database, UNIX can already support 'light' OLTP applications. The drawback is that it is then tied to a specific database, and its performance is limited accordingly.

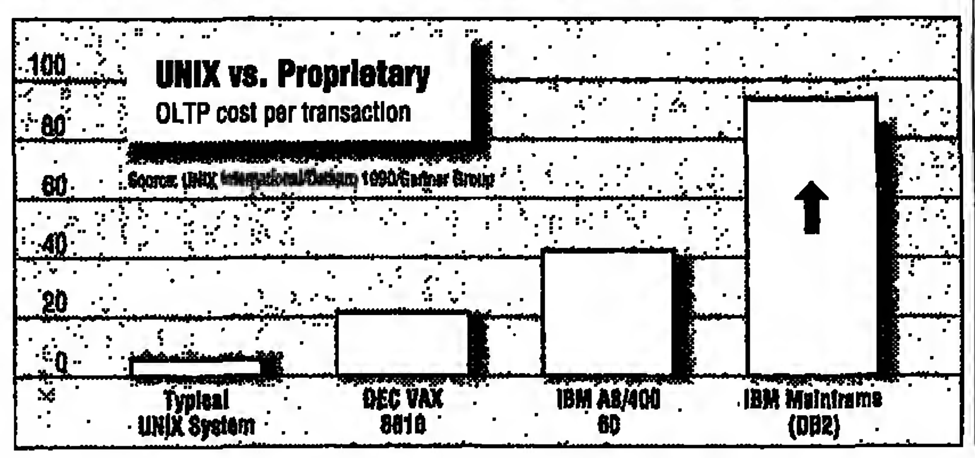
Aware of this limitation, and of the clear market need, Unisys has developed a solution; Open/OLTP - integrated software with mainframe power, but running on the Unisys U6000 family of UNIX-based minicomputers.

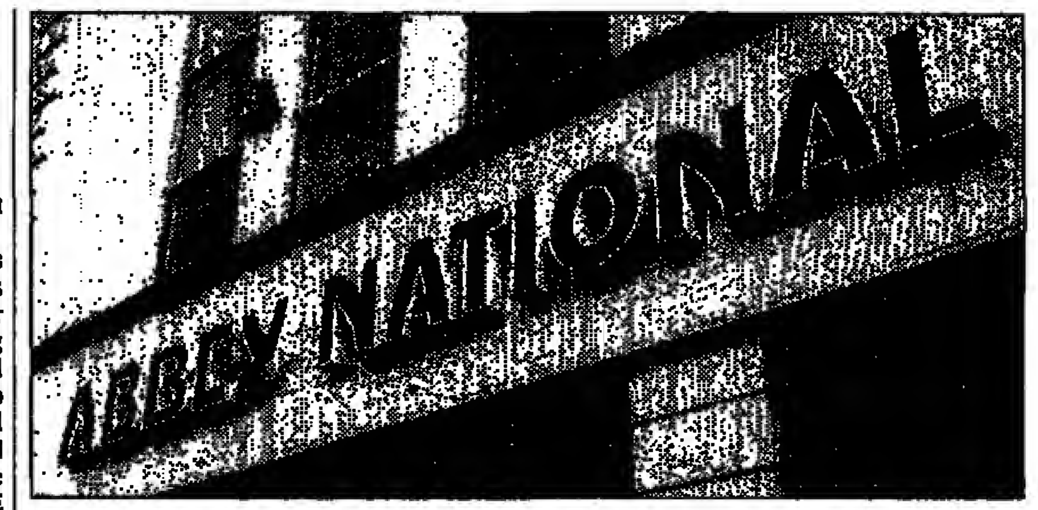
At the heart of Open/OLTP is the transaction manager, based on TUXEDO, developed by UNIX System Laboratories. TUXEDO provides true distributed processing, enabling different parts of a transaction to be performed, on different systems linked by a network.

Already TUXEDO has virtually established itself as the de facto standard for routing and monitoring transactions in a distributed environment, being taken up by other hardware and software manufacturers, and supported by database vendors, such as ORACLE and Informix.

In a business-focused IT world, where speed and versatility contribute directly to competitive advantage, Open/OLTP's ability to deliver mainframe-level performance has already produced some impressive results.

Under independent test, the product demonstrated a fourfold increase in the number of users that could be supported – from 200 to 800 – by boosting the performance from 20 transactions a second to 80. And with the help of Open/OLTP, the U6000/85 minicomputer recently achieved one of the highest audited transaction figures for any UNIX system. In the cost effectiveness stakes, UNIX systems through Open/OLTP have also scored impressively – a 42% reduction in cost per transaction against traditional mainframe systems.





Abbey gets the Olivetti Systems habit

Abbey National first installed Olivetti Systems and Networks' Personal Banking (PB) workstations in 1988, although the two companies have worked together since the late 1970s. PB is a PC-based industry-standard workstation which offers additional facilities missing from standard software: multi-tasking; context switching; drivers for specialist peripherals such as badge readers and communications software, all on open standards hardware. During the past five years, this open systems approach has reduced the cost of ownership by 50%. Future developments include image processing, a new relational UNIX database and more powerful hardware and software.

CASE STUDY / Portman Building Society

Integrated systems for an integrated society

The decision to move to Open Systems is a significant one. Of the many factors to be weighed up, the need to provide computing power at a local level and the likelihood of mergers and acquisitions are among the most important. For a building society, any system must offer the flexibility to respond to continuous change in the financial services sector.

When the Regency & West of England and the Portman Wessex Building Societies merged to form the Portman Building Society on 1st October 1990, these were two of the factors which David Stokes, Portman's general manager (Information Technology), had to consider. He chose Olivetti Systems & Networks to help the Portman examine its immediate and long term branch system needs.

Open systems are well suited to providing distributed computing power and so may be the system of choice where local needs are strong.

By its nature, Open Systems is more easily integrated and has a greater degree of flexibility, enabling the system to be changed to meet new needs. These attributes enable changing companies to integrate their computer operations more quickly, with less disruption and lower costs than traditional proprietary systems.

Today's Portman Building Society, the 14th largest in the UK, is the result of a number of individual mergers. Although some of these took place before computer systems had been installed, the present Society inherited a range of three different branch office systems, linking into two different mainframes and each with several different passbook printers.

"Rationalising the post merger situation was a tremendous task. We wanted a solution extremely quickly, based on an Open Systems platform on which to build for the future, but we did not want to disrupt our day-to-day customer services," says Stokes.

Since the review, the Portman has installed OSN's Personal Banking system (PB), based on an Open Systems PC platform, at each of its 100 or more branches in the south of England. PB is designed to provide services critical to branch banking. It includes communications, data and file security, networking and network management, electronic journalling, specialist banking peripheral drivers and printing services.

CASE STUDY / Britannia Building Society

Investing for the future

In common with other top ten building societies, Britannia Building Society has followed the move towards providing a vast range of financial services, increasingly competing with the traditional banking community. "There is no doubt in my mind that, in the last five years, Building Societies have really woken banks up," says Barry Foster, IT development controller for Britannia.

This diversification has not only changed the financial structure of the society but also put increasing pressure on the IT resources. The society's day to day business, from mortgage applications, investments and loans, to internal applications such as personnel and payroll, is all held on an ICL mainframe.

Britannia's approach towards system development is based on Open Systems. As part of that policy, Britannia has recently replaced ICL DRS 300 machines with two ICL DRS 6000 UNIX-based systems used to network into the applications on the mainframe. "We intend to develop UNIX-based systems and, if it is appropriate, we will be able to start downsizing some VME applications to the UNIX platform," Foster maintained.

In conjunction with UNIX, Foster is hoping to standardise on the Sybase relational database management system as the development platform for future applications. "We then looked around to find some tools to enhance the software development productivity," he says. Britannia opted for the Maestro Case tool, written by Softlab. "Maestro provides the facilities we need to cover the complete development cycle," concluded Foster.

The increasingly competitive nature of the financial sector ensures that new product development is a key area within any building society. "Our policy at Britannia is to offer a wide range of financial services. Over the last three years, the lending side of the business has been seen as more significant – although there is still a lot of activity on the investment side, and there has been a lot of new product development," he explains. The use of Maestro on the DRS 6000 will, Foster hopes, enable Britannia to develop robust software based on Open Systems principles that will enhance the Society's level of customer service and thus, competitive edge within the industry.

UNIX for the big boys

A spurious debate rages over whether to centralise or distribute control of and access to data processing systems. The debate misses the point. It is not a question of doing one or the other, but of doing both well, of achieving a balance between the two. The role of the mainframe in achieving this balance is critical and makes subsidiary debates like downsizing irrelevant.

Distributed computing is a fashionable idea and with good reason. Users now demand greater access to, and control of, processing power: modern business demands it. Distributed systems can give them that but a key question remains: how do supporters of Open Systems, which has become synonymous with distributed computing, expect to maintain control over the quality, consistency, portability, interoperability, and scalability of corporate systems? This question has not been answered until now.

Amdahl believes the answer is still the mainframe. Not though, in its original guise as a highly-centralised glasshouse, but as an Open Systems information warehouse providing security and manageability of data.

Amdahl promotes central management of corporate systems with rapid access and efficient administration. It is a view with a proven track record at a number of their large multi-national customers: Daimler-Benz, P&O Containers, the Marshfield Clinic.

Daimler-Benz uses proprietary operating systems and Open Systems including Amdahl's UTS. But the variety of systems in place means that user access and intercommunication have been severely limited: a proprietary solution alone would simply not work. Moreover, Daimler-Benz was not prepared to entrust this task to a single vendor which would have locked them in on price and service.

Daimler Benz's requirements were for access to, movement and archiving of massive amounts of data on original technical drawings, required to be held for decades, in order to service every country in the world where Mercedes-Benz vehicles are used. (Technical drawings are often required on vehicles which went out of production ten or more years ago.)

The original microfiched drawings were first digitised and transferred on to optical disks. Amdahl UTS is the Open Systems operating system which is being used by Daimler-Benz to give access to that data from a host of different workstations and terminals.

Amdahl describes UTS as the "superglue" which could in the future bind all Daimler-Benz's systems together, from the engineering design department to all dealerships internationally.

Manufacturing impact

By Michael Powell

The impact of UNIX in manufacturing is very high. According to a survey published by marketing consultants Douglas Martin Associates, 22% of the PCs in use in manufacturing today are running UNIX – and that figure is expected to grow to 42% in two years.

The American DMR group produced a similar picture of UNIX's impact on the manufacturing sector. It came top of the league in terms of spending on UNIX systems in 1990, at over $3,119 million. This led Business and Personal Services and Federal Government ($1,905 and $1,188 million respectively). The UNIX proportion of the total spent on manufacturing systems was 21%.

Computers may be used to support a number of different aspects of the manufacturing process. In broad terms, these are related to the management of production with Manufacturing Resource Planning (MRP) systems, the control of shop floor machinery and the design process using Computer Aided Design (CAD) systems.

In the first category (MRP), UNIX is beginning to make itself felt as an alternative to MS-DOS – however, systems based on proprietary hardware and operating systems still predominate.

In the second category – machinery control – UNIX scores very high. The intrinsic ability to connect together machinery from a number of different suppliers is its greatest asset. UNIX has an open architecture, which allows software engineers easy access to its innards to write the software necessary to control machines attached to computers.

The third category of software is most frequently found on a workstation, which must provide a fast and powerful image processor, and the ability to drive sophisticated devices such as plotters and professional drawing boards. UNIX and the workstation have grown up together. All the machines in this category run UNIX as their standard operating system. UNIX is, in short, the de facto standard for the CAD machine.

The relatively low growth foreseen in the upper part of the manufacturing marketplace reflects the domination UNIX already enjoys. The trend towards its use at the bottom end of the scale – on PCs – is significant. It is not clear whether this arises from a desire to standardise all an organisation's operations around UNIX or not.

CASE STUDY / BP
Fuelling freedom

BP Oil Europe launched its European Systems Programme two years ago, with the aim of establishing a standardised 'open systems' environment throughout BP in Europe. That programme is now well underway and as a direct result, other divisions of BP Oil worldwide are taking a close look at what Open Systems has to offer.

BP Oil Europe is the division of BP that manages its European refining and marketing businesses. The £80 million European Systems Programme (ESP) was set up with the task of implementing compatible, open computing systems throughout the division.

Bob Witt, Accounting Group project manager for BP Oil, was one of a small group chosen to head up the team and has since won this year's 'Open Systems IT Manager of the Year' award, as presented by Open Systems Magazine and Data General. "Open Systems means freedom of choice, it means vendor-independence, liberation. By going for Open Systems at BP Oil Europe, we've placed computing power in the hands of the end user," he commented.

The ESP is currently implementing 'open' financial systems in twelve different countries, providing accounting and administration applications. By 1992 the balance of ESP will begin implementing 'open' sales and inventory applications which have been developed internally.

After detailed evaluations and benchmarking of more than ten financial packages, ORACLE Financials was chosen for the accounting systems, running on Sequent UNIX hardware. Witt claims that ORACLE, with its portability across commodity hardware platforms, provides a perfect strategic fit for the future. "By choosing an 'open' product such as ORACLE for our financial systems, BP Oil Europe has ensured that users across Europe are still free to work in the environment they know best," Witt says.

As a direct result of ESP's success, other divisions in BP Oil are already replacing existing proprietary systems or at least considering Open Systems as a viable alternative. One thing is clear, BP Oil Europe has given itself a head start in preparing for 1992.

Milking the benefits of open systems

Roy Hutchinson of Genus, a Milk Marketing Board company, says: "By basing our investment on Olivetti's OSA and UNIX International, we can be confident that our needs can be met from a variety of sources.

"Our UNIX system is the basis for enabling all users to access any application via a common interface. It will also help to bring us one step closer to a well managed data resource".

CASE STUDY / Intervention Board for Agricultural Produce

Open Intervention Board

Tyrone Simpson, IT director at the Intervention Board believes that Open Systems is seen too often as solely a technical strategy. At the IB, an Open Systems strategy has meant a new business environment and a new culture for users.

The Intervention Board for Agricultural Produce (IBAP) was established in 1972, when the UK joined the European Community. Working closely with the Ministry of Agriculture, Fisheries and Food, and its counterparts in Scotland, Ireland and Wales, the IB administers the market support measures of the Common Agricultural Policy for Britain's farmers in addition to watching over the beef and butter mountains.

Two years ago, the IB decided to take the 'Open Systems road'. "Rapidly changing EC legislation meant that systems needed to be flexible. Only an Open Systems strategy could provide that flexibility. Price performance was also essential – we spend tax payers' money, so we have to be ultra careful," explains Simpson.

Part of the IB's decision involved standardising on ORACLE. Simpson claims that ORACLE was chosen because of its inherent flexibility and, more precisely, because of its hardware independence. Today ORACLE Financials and other ORACLE-based applications run on a range of Sequent UNIX machines. And every employee at the IB is a user.

But Simpson is adamant that Open Systems is about more than 'flexibility' and 'price performance'. "Open Systems has enabled us to focus more closely on business issues. This means a new type of IT staff – business people instead of boffins."

As Information technology at the IB becomes less about technicalities and more about people and business, so Simpson has been able to bring a new, increasingly people-oriented approach to his 130-strong computer department. "I see Open Systems as leading the way towards a new concept of IT – one in which people and their business needs are of prime importance," he continues. Despite this, Simpson is quick to point out that going 'open' has meant savings equivalent to £1 million a year for the next ten years.

Governing change

By Michael Powell

Two of the most significant factors leading to UNIX's growth were the US government's and the European Commission's commitment to it. As a result, in the UK, the largest use of UNIX by a single market sector is in local government. According to a recently published survey by MMi, this sector represents 46% of all UNIX use.

The importance of UNIX is that it provides a platform which is not only supplier independent, but also able to offer a high degree of connectivity. UNIX is an open platform, allowing a user to "mix and match" the most suitable devices for his application. This is particularly desirable for government users who do not wish to become tied to a particular supplier for hardware or software.

The British Government's Open Technology Transfer programme, started in 1988, is intended to make managers aware of the importance of standards as the European market becomes more united. The impact of competition on this increasingly pan-European market will be such that, as businesses increase their scope, only those with Open System policies can survive. Naturally such standards must be followed by central and local government wherever possible.

As a result, the government sector leads in the use of UNIX for the development of new systems and for commercial applications. This area is fairly mature, and can be expected to become less dominant overall as UNIX penetrates new marketplaces. Nevertheless, the commitment to UNIX is such that, for both replacement products and new applications, suppliers will be expected to supply a UNIX solution.

Thanks to the influence of the US government and its Trusted Computer Systems Evaluation Criteria (TCSEC), which specifies stringent security levels, the latest version of UNIX, SVR4, supports security up to level B2, with some B3 facilities. The benefit of this to all UNIX users is that UNIX systems can support a very high level of security and control. Moreover, because of its increasing penetration into sensitive government systems, the levels of security offered by it will continue to become more stringent.

The enthusiasm of government users, in many countries, for UNIX has led to systems procurement amounting to over $10 billion. Although growth is not expected to continue at such a heady rate, this, more than anything has established UNIX in the wider marketplace.

CASE STUDY / NCR

Managing change with Open Systems

Before the advent of the PC and interoperable application software, proprietary systems were the accepted norm. Once an organisation made a choice of vendor, it was locked for decades by virtue of its investment in the system. The shift in preference towards Open Systems now seems an inevitable result of user requirements for flexibility. The demand for computers that can be connected to other computers and networks, regardless of vendor or application, has mushroomed and is continuing to grow. Users want access to organisation-wide information and to distribute the work to the most appropriate system.

In 1982, however, the potential for Open Systems was still arguable. Then NCR was the first major computer manufacturer to show its commitment by launching a new business computer, the TOWER series operating on UNIX. NCR has continued to evolve along the open computing path, launching 'Open, Co-operative Computing – a strategy for managing change' in 1990 and following with the various elements of hardware, software and networking platforms that offer a truly open route.

The embracing of standards has helped the concept of open computing gain widespread acceptance amongst senior strategists in all sectors of the industry.

JOHN MENZIES

When Edinburgh-based John Menzies Retail implemented its Open Systems strategy in its high street shops, it was, says John Foot, Menzies' commercial director, "Like little elves in the night! First we installed a computerised stock control system on NCR TOWERS, then we extended the system to include EPoS, using hand-held scanners to identify product bar-codes."

Those who make the leap to Open Systems have few reservations about its worth. As Fred Coyle, Menzies IT director reveals, "Without Open Systems, John Menzies would not be as advanced in information technology as it is. The fundamental philosophy of Open Systems is not to be locked into one supplier. We have found that concentrating on UNIX as our operating system for the last six years, enables us to develop systems with a high degree of confidence in our ability to reach satisfactory deals with hardware suppliers. We can develop the software, then find the supplier."

For many organisations the greatest advantage of an Open Systems strategy is integration of disparate systems. Incompatibilities between systems from diverse vendors create islands of automation and information. One of the goals of NCR's Open Co-operative Computing is to enable a multi-vendor environment that integrates these islands into a single enterprise-wide network through the use of communications standards.

ROCHDALE

In local government, for example, pressure on computing resources is forcing local authorities to look at decentralised, distributed computing solutions based on Open Systems. Rochdale Metropolitan Borough Council recently bought NCR System 3000s to give council staff access to information on services. The systems will be connected to a DEC Vax running a housing system, an ICL mainframe-based poll tax system, a library system on a Bull computer and other existing NCR systems.

Gary Martin, Rochdale's Head of IT Services, is a proponent of an Open Systems policy. "We chose NCR," he says, "because it offered what we wanted in terms of communications, connectivity and office automation within our timescale."

TAYSIDE

Tayside Regional Council, another Open Systems user, also pursues a distributed computing strategy. Its director of the Department of Information Processing, Alastair Allan, puts forward his view on NCR. "The computers run UNIX, whereas other manufacturers only offer UNIX as an option to their own systems. So we saw NCR as the most likely to guarantee protection for investment into the future."

Frans Maas Group, freight forwarding company: uses NCR X.25 network link

HOUSE OF FRASER

Communications and networking form an increasingly important part of this inter-vendor networking philosophy. House of Fraser, which has almost completed a major overhaul of its information systems begun in 1986, uses UNIX-based computers with sophisticated X.25 links to central mainframes as well as to the outside world. NCR in-store processors form the hub of the network, acting as a communications link with the company's private network and to external credit scoring agencies or card authorisation facilities. Paul Livesey, director of Information Systems for House of Fraser, is already planning to extend the use of EDI links to suppliers before the end of the year.

TRANS EURO

Trans Euro Worldwide Movers, which recently decided on Open Systems, expects to link sites throughout the UK and Europe to control everything from sales enquiries to financial administration.

FRANS MAAS

Frans Maas Group, another multi-national corporation in freight forwarding also uses NCR systems with an X.25 network link. Aidan Dempsey, Data Processing manager for Frans Maas UK, says the open networking provides the ability to "transfer data between systems and distribute information to anywhere in the organisation quickly and efficiently".

It is significant that the communications aspect of Open Systems will benefit the most from the merger of NCR with AT&T earlier this year. Gil Williamson, president of NCR Corporation reiterates that the new technologies created through the joint efforts of the two companies will be in networking products. "It won't be long," he says, "before almost every business transaction is done electronically. Vast interconnected networks will join to form a global electronic information infrastructure that will be as easy to use, as efficient and accessible as the telephone system is today".

CASE STUDY / John Brown Engineering

Generating quality benefits

Thousands of man-hours of effort have been saved by John Brown Engineering following the introduction of an ICL Integrated Office System. After the success of a pilot project in the Quality Department, even greater benefits are expected as the system is extended.

John Brown Engineering, based at Clydebank in Scotland, has been responsible for some of the world's finest engineering achievements, including building the QE2 liner. Some 1400 employees now produce gas turbine equipment and project manage the building of electricity generating plants worldwide.

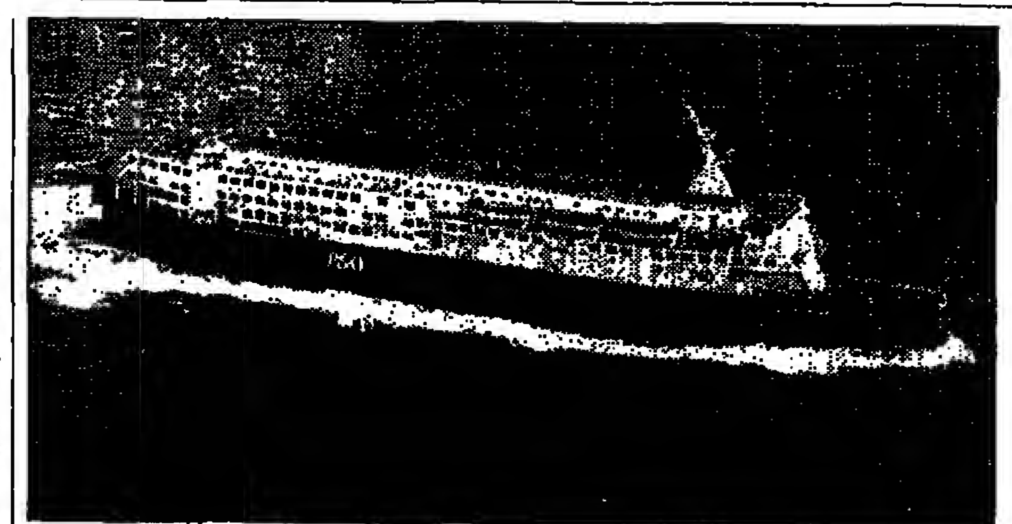
About eight years ago John Brown Engineering invested in ICL wordprocessors for the Engineering, Commercial and Quality departments. More recently it was realised that these have created a huge library of documents, many of which could be re-used with a controlled method of storage.

Data Processing manager Ken Nicholson investigated ways of improving efficiency, and he concluded that this was best achieved by centralising the information stores held electronically and in manual filing systems. ICLFILE was installed in 1989, and in 1990 ICL's OFFICEPOWER was selected as a pilot system for the Quality Department.

Following the success of the pilot project, further investment is expanding OFFICEPOWER across the company. A network of four UNIX-based DRS6000 machines will eventually support 185 terminals and PCs supplying word-processing (WordPerfect) and other office services. "This will provide us with seamlessly integrated text handling with ICLFILE running on the VME mainframe, OFFICEPOWER under UNIX and the PCs under MS DOS," says Nicholson.

"ICLFILE is a very powerful disk storage and retrieval system and is now becoming the technical memory of the company," he adds. "It leads to a high degree of re-use of archived material and it helps prevent the duplication of effort, particularly the re-engineering of similar contracts."

Other benefits are equally tangible. The initial stage of every contract is spent writing specifications for sub-contractors. The average document is re-drafted seven or eight times and used to take six to eight weeks. It now takes two weeks.



All aboard

Britain's leading car ferry operator, P & O European Ferries, has installed open industry-standard Olivetti Retail System EPOS hardware to drive point-of-sale devices in all the shops, bars and restaurants on board the 'Pride of Calais' and the 'Pride of Dover' superferries. At the end of each trip, the system delivers shipboard trading reports and marketing statistics. The systems are also linked to P&O's head office computers.

CASE STUDY / Retailing

Open Systems in retail

By Michael Powell

Retailing is one of the fastest growing UNIX sectors. At the forefront of this growth is likely to be the use of On-Line Transaction Processing (OLTP) systems built around UNIX. A retailing operation typically consists of a series of small, almost self contained, Point of Sale (POS) units which must occasionally interact with a central database.

A traditional centralised processing solution to this, using a mainframe with remote links, is cumbersome and can have unacceptable performance, particularly at peak times. UNIX offers the advantages of heterogeneous connectivity, the support of wide area networks and good price / performance.

The mainframe solution used to look attractive when it came to the processing of large numbers of transactions. That has changed now that UNIX offers Transaction Processing (TP) Monitors such as TUXEDO. This is able to provide the kind of performance traditionally associated with a mainframe, in a distributed environment. A retailing organisation can thus build a modular system without running out of capacity, and without needing initially to acquire a machine too big for its requirements. A decentralised UNIX solution can be expanded by adding relatively low cost machines to the network as they are needed. Hence it is always the correct size for the job.

This has enabled many large retailers to "downsize" their computer operations, moving from a large centralised system to a distributed system whose topology more closely matches their physical business.

Burlington Coat, with 200 stores, is the largest retailer of outdoor clothing in the USA and a fine example of downsizing. As its business expands, Burlington adds new product lines which constantly stretch its systems. This solution has provided Burlington with a flexible and cost-effective system, capable of scaling up with the growth of the business. Not only that, but it will be able to take advantage of new technology developments as they occur without losing its existing investment.

Likewise for Harrods, House of Fraser's flagship store. It has installed three Sequent computers for distribution and financial applications, based on the ORACLE relational database. Harrods' Open Systems solution allows it to expand its systems at a cost effective rate whenever required.

The retail sector is expected to be a major beneficiary through the implementation of distributed solutions which will enable retailers to react far more effectively to the needs of their customers.

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INSIDE

Rand Mines cuts dividend by 46%

Rand Mines, the South African mining house that forms part of the Barlow Rand group, ended the year to September 30, with turnover 5 per cent higher and attributable earnings up 12 per cent. Extraordinary write-offs for platinum and gold investments amounted to R800m ($280.7m) and the dividend was cut by 46 per cent. Page 23

Usinor falls in first half

Usinor Sacilor, the world's second largest steel maker, yesterday announced a sharp fall in pre-tax profits to FFr921m ($160m) from FFr3.33bn in the first half of the year. Page 22

Yorkshire to rally support

Sir Derek Palmar, chairman of Yorkshire TV, has appealed to shareholders to resist moves by a rival company to persuade them to vote against accepting Yorkshire's new licence to broadcast in the Yorkshire area. Page 27

Tough test for Mexico

Mexico's privatisation programme is about to undergo its toughest test yet with the sale of three state-owned steel companies later this month. To the date the programme, one of the most successful in the developing world, has raised $13bn through the sale of 160 companies. Page 22

Dinosaurs come in for renewal

Mofs – multi-option facilities – have been described as dinosaurs of the loans market. As many of these once fashionable credit facilities come up for renewal corporate treasurers are discovering that new guidelines on capital adequacy requirements and concerns about the credit-worthiness of borrowers has resulted in much higher pricing on loans. Page 26

Shakeout in the Pampas

Argentinian agriculture could be heading for a shakeout in the Pampas following the government's decision to abandon interventionism. Page 29

Car stocks begin the climb up

European car stocks, after a rough ride since their peak in 1986, appear to be returning to favour with investors. Much of the new interest has been generated by mounting evidence that earnings of most manufacturers are expected to turn upwards. Back Page

TIP Europe £29m rights issue

TIP Europe, the trailer rental group, has announced a £29.2m ($51.6m) rights issue and new banking arrangements amid results for the year to July 31, which showed a 61 per cent fall in pre-tax profit. Page 28

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Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	639.5	+	14.5	BNP	337	+	19
Hoesch	271	+	13.5	Eurocom	684	+	14
Lahmeyer	853	+	22.5	L'Oreal	687	+	14
				UFB	369	+	9
Falls				**Falls**			
Colonia Konz	972	–	23	EBF	760	–	15
Mannheim	685	–	12	Eurafrance	1381	–	70
Zanders	260	–	5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Nippon Carbon	2020	+	190
Compaq	27⅝	+	1	Teikoku Sen	900	+	100
Clark Equip.	24⅞	+	3⅛	Toda Kogyo	1060	+	100
Falls				Toyo Tire	1090	+	80
Delta	60⅞	–	1⅛	**Falls**			
Salomon	28½	–	1⅛	Nichiei Fin	1450	–	160
Walt Disney	113¾	–	4⅝	Sodick	2050	–	150
Rockwell	26¼	–	¼				
LONDON (Pence)				Wellcome	757	+	19
Rises				Wood (SW)	72	+	16
Airtours	806	+	12	**Falls**			
Aitken Hume	29	+	4	Auto Security	114	–	9
Blenheim Grp	428	+	25	Barclays	403	–	12
Bridport-G'dry	90	+	3	Beckenham	16½	–	4½
Fanpak	226	+	20	Gresham House	13	–	12
First Leisure	288	+	7	Maxwell Comm	121†	–	18
Haemocell	171	+	8	Next	56	–	3½
Henderson Adm	688	+	25	TIP Europe	56	–	8
Kleen-E-Ze	45	+	9	Tarmac	161	–	11
Lon&O'seas Fr	118	+	7				
Telfos	113	+	50				

† Price at suspension.

Fried. Krupp claims Hoesch control

By Christopher Parkes in Bonn

FRIED. KRUPP is expected to announce later this week that it has won control of rival Hoesch, concluding a short, bitter fight between two of Germany's leading steel and engineering groups.

Mr Kajo Neukirchen, chief executive of Hoesch, told a hostile meeting of 15,000 employees in Dortmund that Krupp had told him it would have documentary proof before Friday that it had a majority of Hoesch shares.

Workers' representatives promised to carry on with their resistance, calling for an official inquiry into the "merger". To whistles and boos Mr Neukirchen attempted, with only partial success, to dispel the widely-held impression among employees that they had been misled about the nature of talks on co-operation between the two companies.

He insisted news of Krupp's 24.9 per cent stake in Hoesch, which broke on October 10, came like "a bolt from the blue", surprising the Hoesch board. Talks between the companies, both hit by difficulties in the steel market, began in August.

Hoesch did not need a rescuer because it was quite safe, he added. But there was no possibility now of breaking off negotiations. "The world has changed since the Krupp stake became known," he said. The most he could offer the 51,000 employees now was to try to ensure "the optimum [result] for Hoesch, its workers and its factories".

The demand for an official inquiry by the North-Rhine Westphalia government was accompanied by a repeated request for the state's prime minister, Mr Johannes Rau, to intervene and prevent the West-LB bank, in which the state has a controlling interest, from selling Krupp its 12 per cent holding in Hoesch.

If the merger goes ahead, it will create a new power in the European steel and engineering industries with annual sales approaching DM30bn ($17.70bn). It could also unleash a further wave of rationalisation which could spread beyond Germany. At present, the German industry, which is dominated by Krupp, Thyssen, Hoesch and Mannesmann, accounts for about a third of west European steel output.

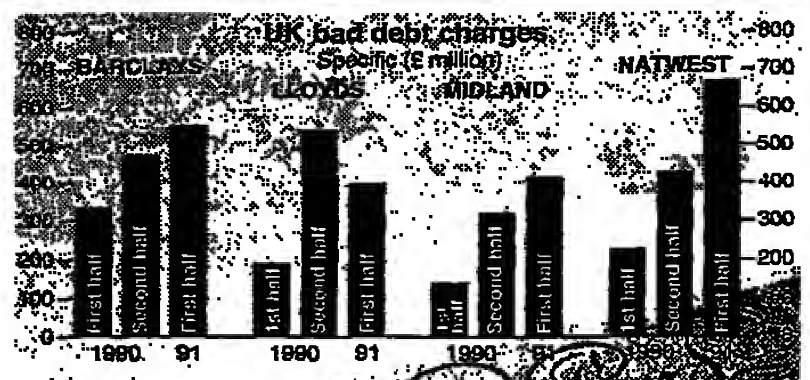
Industry experts believe restructuring of this capacity is a prerequisite for reorganisation of the industry throughout Europe.

Ten days ago Thyssen Stahl announced that it, too, was negotiating with Krupp with the aim of rationalising both groups' interests in special steels. Mr Heinz Kriwet, chairman of Thyssen Stahl, stressed that merger of the companies' steel interests was not on the agenda.

Usinor, Page 22

Barclays presses Bank of England on securitisation, writes **Robert Peston**

Banks seek easing of capital rules



UK banks, led by Barclays, are putting pressure on the Bank of England to reduce temporarily the capital ratios which UK banks are obliged to meet.

They have been lobbying behind the scenes for a temporary relaxation of the capital requirements, the reserves which banks keep as protection for their depositors. "Barclays has been the most vocal on the issue", commented a banker with a close knowledge of the campaign. "But it should be seen as a bellwether for most of the banks' views."

UK banks say there is little demand for loans at the moment, but if the economy starts to recover, they may not be able to meet demand for bank finance without reducing their ratios of capital to assets below the international minimum of 8 per cent.

So they would like the Bank of England to reduce the requirement temporarily.

Mr Robin Leigh Pemberton, the governor of the Bank of England, responded to these pressures last week in his speech at the Lord Mayor's Banquet in London. "It is perhaps unfortunate that, for some countries, the introduction of the Basle Standard has coincided with an economic downturn and associated problems with asset quality. But that coincidence is no reason to weaken the [capital] standard or to delay its implementation."

Some bankers say they would not be lobbying on the issue if the Bank of England was not obstructing their attempts to securitise assets, especially credit card loans, which would have the effect of improving their ratios. Securitisation involves packaging loans into securities, and selling them to outside investors, so the loans are removed from a bank's balance sheet. "The Bank of England is making it very difficult for us to securitise", commented a banker. "We have taken the issue to the governor."

Robin Leigh-Pemberton: will not be budged

The restriction is particularly galling to Barclays, which has created a division, Markets and Investment Banking, to work on the securitisation of the bank's assets. Midland, whose chief executive is Mr Brian Pearce, the former Barclays finance director, is also lobbying hard on the issue.

"To say that we are lobbying to secure a reduction in capital ratios is to paint only half the picture," commented a banker with a close knowledge of talks between the banks and Mr Leigh Pemberton. However, the Bank of England is concerned that current techniques for securitising credit card loans do not eliminate a bank's exposure to those loans completely. "Discussions on the issue are continuing," said a Bank spokesman.

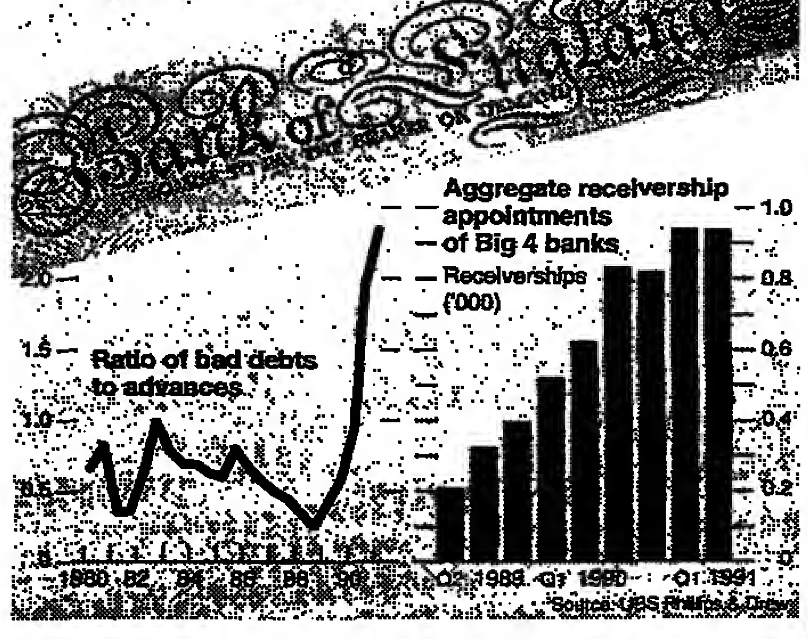
"The Treasury is being kept informed of our concerns," said a banker. However, the Treasury said yesterday that it would not put pressure on the Bank of England to reduce capital requirements. "Under the Banking Act, capital adequacy is the Bank's responsibility," commented an official.

Meanwhile, the Bank of England made it clear that Mr Leigh Pemberton could not be budged on the capital adequacy issue. "A loan proposition is either commercially sensible or it is not," commented a Bank spokesman. "Reducing the capital requirement should make no difference to whether a bank decides to make a loan or not."

There is an important message for the stock market in the banks' campaign – capital ratios are unlikely to rise substantially because bad debts will remain at a high level, for at least the next year, almost irrespective of whether the economy recovers at a moderate or fast pace.

Banks' provisions to cover the risk of bad debts are currently running at more than three times the worst rate during the last recession in the early 1980s. Then the highest ratio of provisions to loans was 0.7 per cent. But in the first half of this year, banks' provisions were running at an average annualised rate of 2.4 per cent.

The four English clearing banks made specific provisions against domestic loans of £2bn ($3.44bn) in the six months. Losses on lending to small businesses and individuals are higher than in the last recession, due to increases in personal sector borrowing and the creation of thousands of businesses, especially in the service sector.



There is another sense in which banks hope this recession is different. Bad debt provisions continued at the peak rate of 0.7 per cent for four years, from 1982 to 1985, long after the economy had started to recover. If a rate of 2.4 per cent were sustained for the next three years, UK banks would be severely weakened.

There has been some evidence that provisions will start to fall earlier this time. The provisions of one bank, Lloyds, already appeared to be on a declining trend. It made the biggest provisions relative to assets of all the banks in the second half of last year, but then reduced the rate in the first half of 1991. However, Lloyds said bad debts remained at a very high rate.

National Westminster Bank agrees. May was the worst month in its history for domestic bad debts. But there was an improving trend in June, July and August. But bad debts started to deteriorate again in September and October.

Mr Derek Wanless, NatWest's director who runs the UK banking operations, said: "A lot of companies' balance sheets are in serious trouble. There is no noticeable improvement in trading conditions for small businesses. Rising unemployment means provisions on lending to personal customers will also remain at a high level."

So will provisions rise again? "All we are saying is that they will remain high."

BT share discount angers institutions

By Hugo Dixon and Roland Rudd in London

SMALL investors will receive a discount of about 50p on each BT share they buy in the UK government's £5bn ($8.6bn) sale next month of just under half its remaining 47.8 per cent stake in the company, formerly British Telecom.

The large discount, equal to 14 per cent of yesterday's share price, could cost the government more than £300m. It may ensure that prospective shareholders do not lose money if BT's shares fall after the sale.

In the past month, BT's share price has been buffeted by concerns that prices and profits could come under tighter control when they are reviewed next year.

Institutional investors, which do not benefit from the discount, yesterday objected tothe handling of the sale.

Several said it should be postponed until after Oftel, the industry regulator, published its consultative document on BT prices in January.

Large shareholders said they were under unfair pressure by the government's financial advisers not to sell their existing BT shares before the sale.

The advisers, led by S.G. Warburg, have warned institutions if they "dump" their shares they will be given fewer shares than they want in the sale.

A member of the Stock Exchange board said, however, he could not see any problem so long as normal trading could continue.

Government advisers denied publication of the discount offer was timed to support the shares which fell ½p to 358½p on a day when the London stock market as a whole rallied.

The discount will come in three instalments.

To encourage long-term ownership, small investors will qualify for the full discount if they remain shareholders until the final instalment in March 1993.

The discount on the first instalment, to be worth about 20p, will be set on November 21. This will be paid when investors apply for shares.

Discounts for the second and third instalments will be 15p each.

Alternatively, investors can opt for one bonus share for every 10 they receive.

The minimum application for small investors is 100 shares. Discounts will only apply on applications of up to 1,000 shares, while bonus shares will be available for applications of up to 1,500 shares.

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MAN remains confident despite fear of profits fall

By David Waller in Frankfurt

MAN, the Munich-based engineering group which has been a notable beneficiary of German reunification, cautioned yesterday that the slowdown in the German economy and continuing economic malaise in Germany's principle export markets would take their toll on current year profits.

Growth in net profits would slow to single figures during the year to June, Mr Klaus Gotte, chairman of the management board warned yesterday.

This compares with growth of more than 20 per cent in each of the past four years, concluding with a leap in profits from DM328m to DM406m ($240.2m) in the last financial year.

In spite of the prospect of a slowdown, Mr Gotte was far from gloomy. He said in Munich that sales for the year to June would top DM20bn for the first time in the company's history, and that the slowdown in orders during the last quarter represented a blip rather than full-scale recession.

MAN, which makes buses, trucks, diesel engines, printing machinery and steel-making equipment, was surprised by demand for its products from eastern Germany.

Earlier in the year it was predicting a slight increase in profits but in the event profits benefited from a surge in sales and orders, predominantly for commercial vehicles made by the MAN Nutzfahrzeuge subsidiary, which in 1990-91 accounted for DM9bn out of total sales of DM19bn.

The first signs of a domestic slowdown are reflected in new order intake figures for the first quarter of the current financial year.

Inland orders have slipped 18 per cent over the three months compared with the same period in the previous year, to DM1.8bn.

The fall in new orders from overseas was 3 per cent, meaning that new orders were down by a total of 10 per cent during the quarter. In total, the backlog of orders stood at DM18.6bn at the end of September.

Mr Gotte indicated that difficult conditions in two areas – facility construction and MAN Roland print machinery, where in both cases employees' work weeks have been reduced - did not alter his view that overall results would improve.

He said capital investment, over DM1bn in the last financial year, could exceed DM1bn again in the current year.

Wellcome poised to sell non-core units

By Clive Cookson, Science Editor, in London

WELLCOME, the UK drugs group, has found buyers for its remaining two non-pharmaceutical businesses. It is negotiating the sale of its environmental health division to Roussel Uclaf of France and its diagnostics division to Murex Technologies of Canada.

Wellcome said final prices had not yet been agreed for the two disposals, but analysts speculated that they might bring in a total of about £100m ($177m).

The company's announcement of the negotiations yesterday pushed Wellcome shares up 19p to close at 757p.

"This means that Wellcome is now a pure drug company with nothing to distract it from what it is really good at," said Mr James Dodwell, pharmaceuticals analyst at County NatWest.

Mr John Robb, who took over as chief executive of Wellcome last year, has focused the company on its mainstream pharmaceutical activities – prescription and over-the-counter (consumer) medicines. Last winter he sold Wellcome's Calmic hygiene business to Rentokil for £26m and its vaccines business to Medeva for £20m.

Wellcome Environmental Health, based in Berkhamstead, north of London, had sales of £83m in 1990 and employs 500 people worldwide. Its main products are non-agricultural insecticides.

Roussel Uclaf – a pharmaceutical group in which Hoechst of Germany has a 54.5 per cent stake and Rhône-Poulenc a 35 per cent stake – makes a similar range of insecticides in France.

The combined Roussel-Wellcome environmental health business would have £150m a year sales and a leading position in Europe's non-agricultural insecticide market.

Wellcome Diagnostics, based in Dartford, Kent, had 1990 sales of £38m and employs 650 people. It produces reagents and kits for testing blood for viruses.

Murex has a corporate strategy to build a diversified worldwide diagnostics company.

The environmental health and diagnostics divisions have lower profit margins than Wellcome's mainstream pharmaceutical business. They are believed to have contributed about £6m between them to last year's pre-tax group profits of £315m.

"The two disposals should add 2 per cent to Wellcome's existing margins," said Mr Nigel Barnes, pharmaceutical analyst with Hoare Govett.

OBITUARY

Contrasts and complexity

THE BODY of Robert Maxwell, one of the UK's most controversial and colourful businessmen, was yesterday recovered from the sea off the Canary Islands. He was 68.

For years he had talked about retiring; no-one believed him. Although he had planned to give up the chairmanship of his master company, Maxwell Communication Corporation, earlier this year, Peter Walker, the former Welsh secretary, turned the post down and the hand-over never took place. Day-to-day control passed to his son Kevin, but Robert Maxwell never lost his taste for doing deals and picking up the telephone 24 hours a day.

At the age of 67, after most men have retired, he moored his ocean-going yacht, the Lady Ghislaine – from which he apparently fell to his death yesterday – in New York's East River and took the city by storm by buying the loss-making Daily News.

The takeover seemed to win Robert Maxwell a degree of instant, if transitory, popularity which had largely eluded him in his adopted Britain. Within months of the New York deal, he had successfully placed 49 per cent of Mirror Group Newspapers shares in a flotation designed to raise £245.5m, although the value of the shares fell and has never returned to their flotation value. He had bought the Mirror group from Reed International in 1984 for £90m after an inter-company loan of £23m was discounted – a high point in his restless career.

No single word sums up Maxwell's character or achievements. Everyone who knew him pointed to the contrasts and contradictions contained in his bulky frame. One of the most obvious was the enormous wealth of this former Labour MP who always denied an interest in property and who remained a strong supporter of Neil Kinnock's brand of democratic socialism.

Much to Maxwell's irritation, this ambiguity was pointed up by Mrs Margaret Thatcher, the former Conservative prime minister, who once declared that he was really "one of us".

Contrasts and complexity were evident, too, in the language chosen by friends and critics alike to describe him: ruthless and kind, sensitive and brash, a megalomaniac who cared about people.

"An attractive monster with a touch of genius," was the verdict of Mrs Janet Hewlett-Davies, a former Downing Street press officer who managed to survive in the difficult role of Robert Maxwell's press officer for less than a year.

Joe Haines, Maxwell's official biographer, came close to the essence of the man: "Unpredictability is the only thing which is certain about him. He enjoys provoking waves and then calming them. He deliberately creates storms and then quietens them. He pours oil on troubled waters which were smooth before he arrived. He incites anecdotes about himself."

Maxwell also attracted ridicule through his "outsider's" uncritical admiration for most of British society's traditional institutions, from the monarchy to the City of London.

The unpredictability, the anecdotes about him, the endless writs issued against critics, the frequent charging-off in pursuit of almost every hare that passed him (running football clubs, for example, and saving the Commonwealth Games) tended to detract from the real achievements of the man who was born Jan Ludvik Hoch into abject poverty in the Slovakian village of Solotvino, on June 10 1923.

Few men have travelled so far – from hunger in pre-war Czechoslovakia to the almost single-handed creation of an international media empire ultimately based on newspapers, publishing and electronic information. It made him a billionaire, at least on paper.

Maxwell's early life reads like an adventure novel. As a teenager he was arrested and tortured by the Nazis for helping volunteers for a Free Czech army flee to the west. He escaped and fought briefly with Czech forces in France before being evacuated to Britain. Returning to Europe with the British army, he was awarded the Military Cross and was later promoted captain.

In 1945 he married his French wife, Betty, and started the family that has been the non-business centre of his life, a replacement for the family he lost in Auschwitz. His seven surviving children have all worked in the family business. Two of them, Kevin Maxwell and Ian, run it.

The business life of Captain Robert Maxwell MC began in post-war Berlin with an insight that has remained at the heart of his empire: the potential profit and power in information. Initially through the backlog of German scientific literature which had never been published abroad, and later through new specialist scientific journals, he developed Pergamon Press into a substantial publishing business.

He built Pergamon, lost control of it, and later regained it. In between, he was criticised by inspectors from the Department of Trade, who accused him of "reckless and unjustified optimism" and of making statements about sales and orders for his encyclopaedias that he must have known were untrue.

The first report of the inspectors, in July 1971, ended with the devastating words: "We regret having to conclude that, notwithstanding Mr Maxwell's acknowledged abilities and energy, he is not in our opinion a person who can be relied on to exercise proper stewardship of a publicly-quoted company."

That statement, which he thought unfair and to which he had been given no opportunity to reply, rankled with Robert Maxwell for the rest of his life.

Nevertheless, a number of significant business achievements cannot be denied him. His creation, Pergamon Press, was sold in April 1991 to Elsevier, the Dutch publisher, for £440m. He played a key role in restructuring the British printing industry through turning the loss-making British Printing Corporation into his profitable British Printing and Communication Corporation.

When he bought the Daily Mirror in 1984, it was the realisation of a long-held ambition to become a national newspaper publisher. Earlier attempts to buy first the News of the World and later the Sun had been thwarted by his great rival, Mr Rupert Murdoch.

Despite an inability to refrain from proprietorial interference, Maxwell strengthened the Daily Mirror and its sister papers, the Sunday Mirror and The People, maintaining the voice of moderate Labour in a media industry dominated by national newspapers which usually support the Conservative party.

It was Maxwell, rather than Murdoch, who first brought printing costs under control in Fleet Street. Agreement on the loss of 2,100 jobs at Mirror Group Newspapers was reached in January 1986, more than a month before Murdoch's dramatic transfer of his main titles to a plant behind barbed wire at Wapping, east London. Maxwell could also boast with some justice – and frequently did – that he was ahead of Murdoch in anticipating the importance of high quality colour printing for the national popular press.

Even by his own ebullient standards, one of the most remarkable weeks of his career came in early November 1988. On the Sunday, Robert Maxwell agreed to buy the publication, Official Airline Guides, from Dun & Bradstreet for $750m. On the Wednesday, a Delaware court cleared the way for his $2.6bn takeover of Macmillan, the US publisher. By the weekend he had announced he was moving out of printing and would sell BPCC to its management to help pay for his US acquisitions.

Although he always claimed to be pursuing a strategy, there were many mistakes and follies. Moves into television through cable and satellite led nowhere. He set himself a target of increasing turnover to between £3bn and £5bn by 1990 "with profits to match" – a target quietly abandoned when it became obviously impossible. In the end, all Maxwell television interests were sold – including the 20 per cent stake in Central Independent Television that would have made him many millions of pounds if he had held on a few months longer.

The London Daily News, his ill-fated attempt to run a 24-hours-a-day newspaper for the capital, foundered after five months. The European, his most recent idealistic newspaper publishing venture, is unlikely to survive him.

The City disliked his unpredictability. Nor did it warm to his taste for moving assets between his public and his private corporate vehicles, suspecting that the private debt was much larger than he publicly admitted. The business community called this "the Max factor" and marked his shares down accordingly.

A year ago it could have been argued that, despite the idiosyncrasies, Robert Maxwell had created a business empire that would endure. Over the past few months, however, it has become increasingly obvious that both Robert Maxwell personally and his businesses were being crushed by the debt taken on to pay for OAG and Macmillan, and that virtually everything was for sale if a decent price could be had.

Robert Maxwell had always determined that his family would inherit little, if any, of his wealth. Many years ago, he decided that funds accumulated in family trusts in Liechtenstein, later mainly moved to Gibraltar, would be used for charitable and scientific purposes, ranging from the battle against Aids and the elimination of racial hatred to encouraging entrepreneurs "wishing to set up their own businesses in the fields of the media, communications and information." By the time he disappeared off the coast of Tenerife, it was unclear how much there would be for such charities.

The last two weeks were as full of drama as any in Robert Maxwell's life. In the last chapter of Seymour Hersh's book, The Samson Affair, there were allegations that Nick Davies, the Daily Mirror's foreign editor – and, by implication, Mr Maxwell himself – had been involved in Israeli intelligence.

Last week Robert Maxwell was typically denouncing the allegations as "ludicrous" and promising to support Mr Davies in the courts, even though the journalist had been dismissed by the Daily Mirror for allegedly lying.

Maxwell's view of the world is best illustrated by a comment by his son, Kevin. Asked about his father's attitude to death, he replied: "He's very angry about it".

Raymond Snoddy

Robert Maxwell with the man who became his arch-rival, Rupert Murdoch, in 1969

Maxwell on Maxwell through the years

"I am a capitalist with a socialist conscience." *(November, 1988)*

"I don't see why I should give up my ideals and abandon my class origins because I have made a few shillings." *(January, 1983)*

'I was born in that part of Czechoslovakia which was pinched from Hungary by the Treaty of Versailles and has now been pinched by the Russians from the Czechs.' *(1968)*

"I would have been a success in anything. But I chose an activity that was socially useful, and that aspect gives me extra satisfaction." *(October, 1968)*

"In the final event, the only people the Jews can trust for their survival are the Jews themselves." *(March, 1989)*

"I do not plan to leave my children an inheritance. The money left after taxes will go back to the scientific work I have taken money from." *(September, 1967)*

"If things were half as bad as some people persist in believing I'd have retired with a bottle of Scotch and a pistol a long time ago." *(Criticised by the Department of Trade and Industry, June, 1973)*

"This scandalous overmanning will no longer be allowed to continue." *(At the Daily Record, Glasgow, February, 1986)*

"It is not enough to provide a newspaper loyal to the Labour cause. It has to be an exceedingly good newspaper." *(June, 1967)*

"I treat editors as the equivalents of field marshals." *(November, 1959)*

Alan Harper

Kevin Maxwell: was always the one of Robert Maxwell's surviving children most likely to run the business

Questionmarks raised over future direction of the Mirror Group

FOR staff at the Daily Mirror it was perhaps the ultimate irony.

Accustomed to being kept in the dark about their publisher's intentions, they were caught out as much as anybody else by the news of his disappearance off the coast of the Canaries.

The comment of one long-serving senior staffer seemed to sum up the mood.

"The reaction is obviously one of shock – although when you've been working for Maxwell you think you've got used to not knowing what's going to happen next."

Ever since Mr Maxwell bought the Mirror Group from Reed International in 1984, a stream of often disgruntled staff have had to put up with his idiosyncratic style of ownership and policy about-turns.

But the experience of Maxwell ownership for the Mirror Group has by no means been a negative one.

When Reed sold the Mirror Group it was barely profitable. Maxwell slashed costs and invested heavily in a new printing plant, using Mr Eddie Shah's Today newspaper as a stalking horse and anticipating some of Mr Rupert Murdoch's plans for News International.

In 1984, Mirror Group Newspapers was a failing concern with operating profits of £4.3m on sales of £274m. Six years later operating profits were up to £88.3m on sales of £445m.

The recent controversy surrounding one of Mr Maxwell's senior newspaper executives – the Daily Mirror's foreign editor Mr Nicholas Davies, who was sacked after allegations linking him to arms trafficking and the Israeli intelligence services – appear to have had little impact on the City.

But the episode was viewed by current and former members of staff as the latest in a series of unfortunate events which they hope may now be confined to history.

The 'Max factor' was the term coined – among others – to describe his interventionist style: his newspapers were expected to publicise events which were supposed to show him in a good light, but they had a habit of backfiring.

The Group also includes the Sunday Mirror, the downmarket Sunday tabloid The People, and two Scottish papers, the Daily Record and the Sunday Mail. It was owned privately by Mr Maxwell until this Spring when 49 per cent of the company was floated on the Stock Exchange, leaving him with 51 per cent of the shares.

The newspapers were established as a separate public company with a majority of independent directors, although Mr Maxwell remained executive chairman and his son Ian deputy chairman.

One City analyst suggested yesterday that the death of Mr Robert Maxwell would remove some of the negative inferences that have been associated with the Group and present a more sound investment.

One of the many question marks now raised concerns the future political allegiance of the group which, under Mr Robert Maxwell, has kept firmly behind the Labour Party. They are the only Fleet Street newspapers solidly behind Labour and capable of influencing millions of voters in the run up to next year's general election. The assumption is that his son Ian will do the same, but there is no guarantee.

Jimmy Burns
Richard Evans

Kevin Maxwell faces debt challenge as he puts on his father's mantle

KEVIN MAXWELL was very excited on July 16 and his father Robert was inordinately proud of his son. The young Maxwell, as slight and understated as his father was large and over-the-top, handed out with quiet satisfaction his new business card.

It read: "Kevin Maxwell, chief executive Maxwell Communication Corporation."

It was the day that the demerger of the US interests, including Macmillan the publishers, from MCC was announced. Although Kevin Maxwell was now chief executive of MCC if all went according to plan it would be a much smaller MCC than hitherto, probably accounting for something like £300m a year. But Kevin was very pleased. At the age of 32 it marked his coming of age as a businessman.

At the same time his elder brother Ian, who specialised in marketing, would look after Mirror Group Newspapers.

Last night Kevin Maxwell was appointed acting chairman of MCC and Ian Maxwell was appointed acting chairman of Mirror Group Newspapers.

In spite of the difference in physical appearance Kevin Maxwell was always the one out of the seven surviving Maxwell children most likely to run the business if for any reason Robert Maxwell was no longer able to. He had some of the charm and a lot of the toughness of his father and he learned from a quite early age how to fire people. It was simply something that sometimes had to be done. It went with the job and he did it.

Ruthlessness, he once said, was not an attribute he would like to cultivate because it wasn't necessary.

"I want to earn the reputation of being a manager who manages assets well. That implies the good with the bad, that you are able to take action effectively to stop losses or repair damage and if it involves firing people that's part and parcel of the responsibility," Kevin Maxwell said.

The first real sign that Robert Maxwell intended Kevin to have some of the biggest responsibilities within the business came when he appointed him to run the $2.7bn Macmillan publishing business when he was 29. Much of the responsibility of ensuring that the Maxwell businesses survive in spite of vast debts will now fall on Kevin, who was educated at Marlborough and Oxford.

He must now do so without the telephone ringing at all hours of the day and night with advice and instructions from the father he clearly admired and liked.

In a book to mark Robert Maxwell's 60th birthday Kevin wrote: "Above all you have given me the excitement of having dozens of balls in the air and thrill of seeing some of them land right."

Kevin Maxwell has spent most of his working life in the family business although he asserted his independence by going to work for CBS in the UK as head of its British academic and professional publishing operations. He returned to the fold less than a year later at a greatly increased salary.

Kevin, who married fellow undergraduate Pandora Warnford-Davies, carried out a wide range of jobs for his father including taking on the chairmanship of Oxford United football club.

Raymond Snoddy

Purchase of the New York Daily News brought fame but little fortune on Wall St

ROBERT MAXWELL was every bit as flamboyant and controversial in the US as in Britain, although he was less *well-known*.

Although roughly 80 per cent of his total group revenues and 60 per cent of his assets were in the US, it was only last March – when he bought the loss-making New York Daily News – that his name became known outside Wall Street circles.

Late on the afternoon of March 11, with talks still under way to buy the New York tabloid, Maxwell held a typically unruly press conference in the lobby of the Manhattan headquarters of his Macmillan group. He eschewed understatement as he called the newspaper acquisition "historical, unprecedented and necessary to guarantee the return of the Daily News to the streets of New York."

The feting of Maxwell, *which surrounded the Daily* News deal, quickly gave way to renewed scepticism about his finances. Multi-billion dollar debts are more familiar on the US corporate scene than in Britain, but the pitfalls have also been amply demonstrated.

Throughout the summer, a steady stream of small-scale disposals from within Maxwell's US empire continued – serving to remind investors of its precarious condition, without resolving the debt problem.

The attitude of investors, meanwhile, may have been apparent when Official Airlines Guides, owned by MCC, tried to reset the dividend on preferred stock, a move required every 49 days. Twice, in August and then September, the auction failed because there were more sellers than buyers of the stock at par. MCC said that it would redeem the $75m issue in November instead – a move it suddenly cancelled last week because financing had not been arranged on acceptable terms.

Informed bankers remained sceptical of Maxwell's finances, but Robert Pirie, the president of Rothschild Inc. who was principal investment adviser to Maxwell in the US, claims the British press tycoon was well regarded on Wall Street.

"In many ways Maxwell was more American in his style than British," recalls Pirie, who was one of the last people to speak to Maxwell.

Pirie recalled driving through the streets of New York with Maxwell on the night of the Daily News takeover last March. "He became a folk hero overnight and people were cheering him at every street corner. We went up to a Chinese restaurant on 72nd street and everyone there cheered him too."

Pirie, who is in London, spoke to Maxwell on Sunday and tried to reach him again by telephone yesterday morning, but he was told by the captain of his yacht that Maxwell had left instructions not to be disturbed.

Nikki Tait
Alan Friedman

Entrepreneur who never lost contact with his roots

ROBERT MAXWELL belonged among a small group of wealthy entrepreneurs of central European origin who made fortunes in the west but never lost contact with their roots, write our foreign staff.

But unlike George Soros, the US financier, or the Reichmann brothers of Canary Wharf fame from Hungary, Robert Maxwell's western fortune was linked more directly with events in the east.

One of his first business coups was to secure the rights to publish in English Soviet scientific journals in the immediate aftermath of the Sputnik launch, when western demand for Soviet technical information soared. That established Pergamon Press, the company that was the foundation of the Maxwell empire, as a leading publisher of scientific information worldwide.

The financial benefits of Pergamon's later eastern European ventures were apparently small – with earnings from the whole of eastern Europe said to be less than those from Scandinavia. But it remained the vehicle through which Robert Maxwell pursued his interests in communist eastern Europe, including his controversial courting of several former communist leaders.

A frequent guest at receptions in the Soviet and east European embassies in London before the fall of communism Robert Maxwell published shamelessly glossy hagiographies of men such as Leonid Brezhnev, Erich Honecker, Nicolae Ceaucescu and General Jaruzelski. They raised question about the nature of his involvement with the former regimes when he tried to buy stakes in the media just freed from party control in east and central Europe.

East European media interests include a 50 per cent stake and control in the loss-making Magyar Hirlap, one of Hungary's three serious newspapers. The $800,000 purchase in early 1990 came just a few weeks after Robert Maxwell's rival, Rupert Murdoch, bought a tabloid newspaper and weekly magazine in Hungary.

Robert Maxwell also founded a colour printworks in Budapest and later took a 40 per cent stake in Esti Hirlap, the main Budapest evening newspaper for Ft45m ($600,000).

Apart from media interests, Robert Maxwell invested family money through Maxwell Central and East European partnership, a $250m fund created with institutional investors from Europe, the US and Japan.

To date the partnership has invested $10m in a 30 per cent stake in Kontrax, a Hungarian office equipment and telecommunications company and a further $10m in an 11.5 per cent stake in Muszertachnika, a manufacturer of IBM-compatible computers and telecommunications equipment.

The partnership also engaged Hugh Begge, who designed the UK Yellow Pages, to set up an English-Hungarian Yellow Pages in Hungary.

The partnership has also recently set up an office in Prague to acquire stakes in newly privatised companies in Czechoslovakia. Other projects, including a proposed property data base service covering east and central European countries, are in development.

Monday mystery of missed speech

THE MYSTERY surrounding Mr Maxwell's disappearance was heightened when it emerged that he had been due to address a dinner of the Anglo-Israel Association in London on Monday night.

According to Mr Michael Latham, Conservative MP and the association's president, the organisers were told 30 minutes before it started that he had been taken ill. Mr Maxwell's son, Ian, read the speech instead.

"There is no event that my father would regret missing more than this," Mr Ian Maxwell told the audience.

Mr Latham said he had been told by Mrs Elizabeth Maxwell, Mr Maxwell's wife. "She came up to me while I was receiving guests saying 'I'm terribly sorry Michael, but Robert isn't able to come. He's not well. His doctor said he must not come and he's forbidden him to come, and I immediately rang up Ian and asked him to come and make the speech for him'."

Mr Latham added: "I think that at one stage she said something like 'he rang me from the plane', or something like that."

He did not know where Mr Maxwell had been flying to. "It wasn't my business to inquire," he said.

Mr Maxwell's speech concentrated on the current Middle East peace conference. In it he argued that, in the last analysis, the Jewish people had to rely on themselves. "It was at that point that he referred to the fact that many of his own family had been murdered by the Nazis," Mr Latham said.

Several of those attending said they detected nothing suspicious about Mr Maxwell's absence, although one said Mr Ian Maxwell had read the speech with polish, as if he had written it himself.

Most assumed he had been taken ill at home or on the way there. Mr James Arbuthnot, Conservative MP for Wanstead and Woodford, said he was "flabbergasted" when he heard the news yesterday.

Ralph Atkins

ROBERT MAXWELL

STAGES IN AN EXCEPTIONAL LIFE: receiving the Military Cross from Field-Marshal Montgomery; with his wife Betty; canvassing in Buckinghamshire in the 1974 General Election; with Mikhail Gorbachev in London in 1984

Twists and turns in the private and public empires

THE private and public empires of Mr Robert Maxwell are closely intertwined, as the chart below shows.

Over the years, Mr Maxwell fiercely guarded the privacy of his family finances, saying that they were no business of anyone else.

This year the shares of his publicly-listed companies have plunged. The MCC share price has fallen from 241p earlier this year to the 121p at which it was suspended yesterday. Floated in May at 125p, MGN had fallen to 77½p when suspended.

Outside shareholders, who own about 32 per cent of MCC and 49 per cent of MGN, have been pressing for answers about the financial state of the whole empire. Just how big is the total debt of the Maxwell empire, when both public and private companies are added together? Can the debt be paid off? On what assumptions have the bankers been basing the calculations that have allowed them to lend Mr Maxwell such huge sums of money?

● **How big is the debt?**

The total debt of the huge web of Maxwell companies is much greater than the accounts of the public companies reveal. The total debt could have been about £3.3bn early this year, as the story below shows.

The debt is still more than £2bn, despite the sale of more than £1bn of assets this year. Private Maxwell companies still have some £750m of debt, in addition to more than £1.2bn in the publicly-listed Maxwell Communication Corporation and about £300m in Mirror Group Newspapers.

The empire has taken a complicated route to its present form, and the strategies of the past three years are responsible for most of the debt.

At one point, Mr Maxwell planned to build his British Printing & Communication Corporation into the biggest printer in the world. But after spending the first half of the 1980s – and hundreds of millions of pounds – on this strategy, he abruptly changed course, resolving to be one of the world's biggest publishers instead.

In an enormous shudder BPCC shed most of its printing businesses, and scarcely a trace of them remains on the corporate map apart from the Daily Mirror's print-works.

The metamorphosis into MCC was completed with two huge deals: Macmillan, the US publisher acquired in 1988 for $2.6bn in a bitterly-fought takeover battle, and Official Airline Guides, bought the same year for $750m.

But some of MCC's disposals were simply to other Maxwell companies: MCC sold MGN, its UK newspaper printing, and stakes in Canadian paper and printing companies Quebecor and Donahue. MCC shareholders were pleased at the high price paid by MGN – but the sale increased MGN's debt, and was a factor prompting its May 1991 flotation raising £250m.

During its transformation MCC's earnings have fallen from a peak of 37.2p per share in 1984 to 15.3p in the year to March 1991.

Mr Maxwell has said since the Macmillan takeover that he would sell peripheral businesses. He has gone further than that. This year Mr Maxwell sold the Pergamon science journals, one of his oldest businesses and close to his heart. He has sold television interests in the UK, in France and in European satellite broadcasting, once a central plank of his strategy. Prospectuses describing the virtues of some of the US businesses he struggled so hard to win just three years ago have now been sent out to his competitors.

● **Can the debt be paid off?**

In shrinking, can the empire pay off the debt that its expansion created? Shareholders have worried that prices offered for Mr Maxwell's businesses may not match the prices he paid at the top of the 1980s takeover boom.

In the short run, that fear has proved groundless. Disposals so far in 1991 seem to have handled much of the short-term banking commitments of the main companies. MCC must repay $750m (£441m) by October 1992, and Robert Maxwell Group £594m by December 1991. Headington Investments and Headington Group had almost no one-year loans outstanding.

The harder questions are about the longer term debt. MCC must repay a further $1.06bn (£624m) by October 1994. Robert Maxwell Group at the end of last year had £636m of longer term debt and finance lease obligations, Headington Group £166m, and Headington Investments £170m. That makes a total of £1.6bn.

Apart from Pergamon and the Daily Mirror float, disposals so far have been mainly loss-making companies, or minority stakes.

Many of the most saleable small assets have already gone, such as stakes in quoted companies (Transfer Technology, Scitex, Central Television). Shares in football clubs, eastern European newspapers, Balkan film companies or the Independent newspaper are much harder to value.

The sale of Pergamon journals to Elsevier is the example Mr Maxwell repeatedly used to answer scepticism: it sold for £395m net, a very high multiple of post-tax profits by stock market standards.

However, Pergamon was one of the jewels of the empire; science journals enjoy stable circulations and high margins, and Elsevier, already a world leader in the field, could genuinely claim synergies and cost savings to warrant a high price.

Analysts have been sceptical about Mr Maxwell's statements since July that MCC may demerge its US businesses, which provide 90 per cent of its operating profit.

Scepticism focuses on whether a flotation price would be high enough to compensate for the profits MCC would be forgoing, and to pay down the debt that those acquisitions were responsible for creating.

Institutions have begun to question whether asset sales will replace the demerger in the debt repayment plans. Financial particulars on the Official Airlines Guide, the airlines directory business acquired at the same time as Macmillan, have been sent out to potential buyers, and Que, one of the most highly regarded businesses within Macmillan, is now believed to be for sale.

● **What is the bankers' rationale for lending?**

The twists and turns in Mr Maxwell's strategy, and the complexity of the group's overall financial position, have made lending to him an unusually challenging task.

Midland Bank and Lloyds Bank have some of the heaviest exposure, but records reveal that Bankers Trust, Goldman Sachs, the Bank of Nova Scotia, Citibank and National Westminster Bank have lent money for years to many different parts of the web.

In spite of this exposure, bankers are believed to have access to financial records only up to the level of Headington Investments.

One of their solutions has been to get security for their loans – buildings, helicopters, aircraft – freeing them from exposure to the whole picture.

Until earlier this year the core of the private company debt was secured against the bountiful cashflow from Mirror Group Newspapers.

When 49 per cent of the Daily Mirror was floated – and it became obliged to pay outside shareholders about £14m a year in dividends – bankers faced a more complex problem in calculating the backing for the private debt arrangements.

The banking deals that have recently stirred up controversy with shareholders are the mortgaging of the private holdings in MCC and MGN – currently worth £707m – to secure the private company debt.

That means that the share prices of the public companies – plunging recently – affect the private empire's finance.

Mortgage documents show that if the value of the shares pledged falls below 145 per cent of the loans they secure, more security must be provided.

Mortgage registers reveal that the practice is not new, stretching back before MCC's July 1987 rights issue.

In 1986 Maxwell private companies mortgaged 115m shares in MCC, a total of 106m shares in 1987 and 1988, at least 20.7m in 1990, and 24m in the first four months of 1991. Adding all this up – which may overstate the total, since it takes no account of any repayments of mortgages that do no show up in the records – this would mean that before the Daily Mirror flotation some 60 per cent of the private holdings in MCC were mortgaged.

The mortgages against the Daily Mirror's title and trademarks were paid off early this year, and between June and August 1991 many of the mortgages against MCC shares were paid off. Around the same time, however, mortgages were taken out against nearly 20 per cent of the newly-listed MGN shares, nearly 40 per cent of the private shareholding, worth about £83m.

Further mortgages against MCC shares were disclosed by banks in September and October.

At the flotation of MGN, bankers Samuel Montagu considered that they had built a "ring fence" around MGN, with clauses inserted to guarantee the independence of its board, and the fairness and openness of any transactions between MGN and other Maxwell companies.

Although the same independence is not spelt out formally for MCC, MCC directors point out that the only contribution MCC makes to the cash-flow of the private Maxwell companies is through the dividend. Transactions between MCC and private Maxwell companies have always been approved by a shareholder vote, with the family interests abstaining.

The share price performance shows, however, that shareholders have not felt able to treat the public companies as entirely independent of wider worries.

MGN produced half-year profits above expectations, but the shares have fallen steadily since May, apparently because of uncertainty about MCC and the finances of the wider empire. Allegations in parliament that the foreign editor of the Daily Mirror had been involved in arms sales to Iran and that Mr Maxwell had a close relationship with Israeli intelligence have also been a factor.

Institutions' second concern has been the dividends. The 11 per cent prospective yield on MGN shares and MCC's 15.9 per cent yield based on last year's dividend (at yesterday's share prices) have been some compensation for uncertainty.

But the fall in MCC shares this year is partly because of uncertainty about whether it will keep paying that dividend.

MCC's operating profits have covered its interest bill to its bankers, but it has only been able to cover the dividend to shareholders as well by one-off gains, including asset sales.

Last year most of MCC's operating profits of £164.9m from publishing were eaten up by net interest charges of £154.4m.

MCC still declared pre-tax profits of £145.5m. But £80.7m came from foreign exchange gains, and a further £52.2m from one-off sales of property, other assets, and from stock trading, leaving only £12.6m pre-tax on a continuing basis.

Because of the one-off profits, MCC was able to pay shareholders a dividend of 15p a share, costing the company £95.9m.

In the current year, the book profit of about £150m to be taken on the Pergamon journals sale would cover a maintained dividend.

Beyond that, MCC needs either to keep generating profits from asset sales or to reduce interest charges sharply.

Bronwen Maddox

Debt could have exceeded group net assets by more than £1bn

THE TOTAL debt of the Maxwell web could have been more than £3bn earlier this year, with £1bn debt in the private companies in addition to the £2bn in Maxwell Communication Corporation and Mirror Group Newspapers.

This appears to have been more than £1bn greater than the companies' net assets at the last balance sheet dates.

As the holding companies have different balance sheet dates, it is not possible to add up the total debt of the Maxwell private interests at a single date.

The full picture is only revealed by investigating Companies House records of the three main private holding companies: Headington Investments, Robert Maxwell Group, the parent of MGN, and Headington Group, as well as MCC and MGN. These show that the debt and finance lease commitments in the private accounts at their last balance sheet dates was about £1bn.

Adding in MCC and MGN, that comes to £3.3bn, £1.4bn more than the combined net assets at those dates.

However the total net interest and finance charges paid during the last accounting periods indicate that the total net external debt of the Maxwell group could have averaged between £2.5bn and £3bn.

Since then the Mirror flotation and other sales during 1991 have raised at least £1.058m. The private debt is now believed to be about £750m with MCC thought to have a further £1.2bn. Post flotation, MGN's debt is approximately £300m. The total debt of the Maxwell companies at the moment is therefore believed to be about £2.2bn.

THE MAXWELL DEBT

Holding company	Net debt	Net assets	Date
Headington Invs	£169m	£73.9m	June 90
Headington Group	£166.4m	£99.4m	Dec 90
Robert Maxwell Group	£1.23bn	£832m	Dec 90
MCC	£1.75bn	£868m	Mar 91

Notes: The Robert Maxwell Group debt figure includes £559m debt and finance lease commitments in MGN (its subsidiary) before its flotation. If minorities are included, the net assets of MCC rise to £1.1bn. If investments (which include shares in MCC and MGN) are taken at market values, the resulting shortfall against book values would reduce net assets at the last balance sheet dates by £207m

A global web of connections following four decades of growth

THIS is the map of the corporate empire in which the Maxwell family has an interest.

The web of hundreds of companies stretches from Britain to North America, through Europe and eastern Europe, Mr Maxwell's birthplace, to Israel, Japan, and the Soviet Union.

Compiled for the first time, based on UK Companies House accounts and international company registrations, it is a chart of Mr Maxwell's corporate ambitions over four decades.

The twin pillars of the corporate empire, straddling the Atlantic, are two publicly-listed companies: Maxwell Communication Corporation, the publishing group quoted in London but largely based in the US; and Mirror Group Newspapers, publisher of the UK's Daily Mirror newspaper.

AGB International, one of the largest European market research businesses, is the third of his large media companies.

MCC, MGN and AGB are flanked by cascades of holding companies in the UK, US, and Channel Islands.

They have accumulated interests across the world, not just in publishing, but in engineering, football clubs and scientific research.

Headington Investments is the highest company in the tree registered in the UK.

Below it is Robert Maxwell Group, which in the past year has taken over much of the assets and role of Headington Group, previously one of the most active vehicles.

For years the ultimate parent of almost all the companies on the chart was the Maxwell Foundation, registered under the laws of Liechtenstein and not obliged to reveal its ultimate beneficiaries.

Early in 1991, ahead of the flotation of the Mirror Group Newspapers, the highest holding companies reshuffled, making Headington Investments the lynchpin of the empire and inserting above it two triangular tiers of Gibraltar-based holding companies and trusts – although this was not disclosed to the outside shareholders in the Mirror prospectus.

Headington Investments is deemed under the UK Companies Act to be under the control of Mr Maxwell.

Four out of the six board members are members of the Maxwell family, and it is registered in the UK and liable for UK corporation tax.

International company registrations reveal that partners of one of the largest Gibraltar law firms – JA Hassan, headed by Mr Joshua Hassan, the ex-prime minister of Gibraltar – have fiduciary control over the off-shore trusts which hold the majority of the shares in Headington Investments.

The structure conceals the ultimate beneficiaries of the web of Maxwell companies, who could be entitled to some £80m a year in dividends.

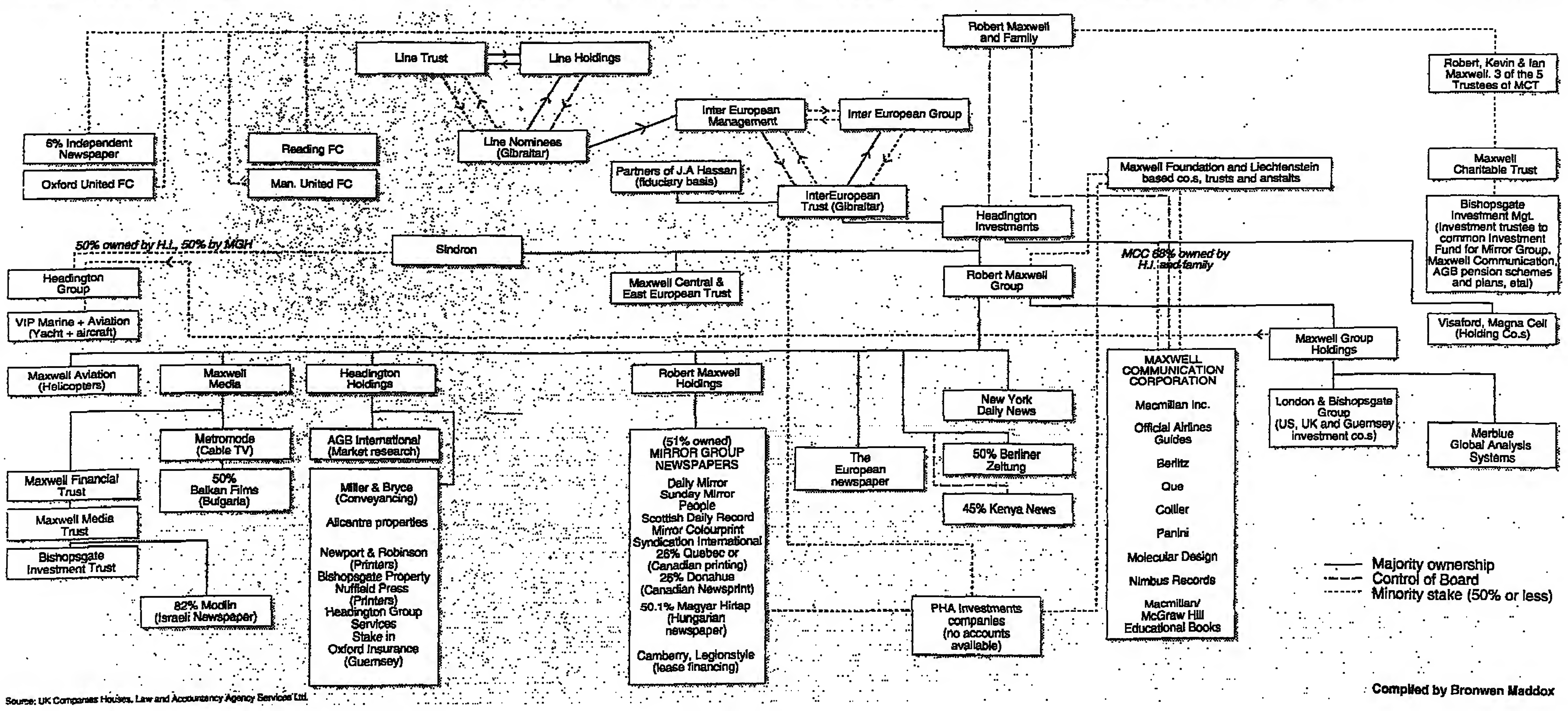
Under UK and off-shore tax laws, these dividends will remain tax free, as will capital gains, unless the ultimate beneficiaries were shown to be based in the UK.

Headington Investments' share register reveals that 51 per cent of its voting shares are held by a trust called InterEuropean Trust Company. That company is based at 63 Line Wall Road, Gibraltar, the chambers of JA Hassan & Partners.

The tiers of trusts and holding companies culminate in Line Nominees, one of the main JA Hassan nominees companies, used to hold shares on behalf of JA Hassan's clients.

Individuals named as directors of these two triangles of holding companies are partners and employees of JA Hassan.

Bronwen Maddox



Source: UK Companies House, Law and Accountancy Agency Services Ltd.

Compiled by Bronwen Maddox

INTERNATIONAL COMPANIES AND FINANCE

Accor claims to have won control of Wagons-Lits

By William Dawkins in Paris

ACCOR, the *leading French* hotel group, yesterday said it had won enough acceptances from institutional investors in *Wagons-Lits to give it control* of the Franco-Belgian travel company.

Accor launched a FFr2.2bn ($380m) bid for *Wagons-Lits* last month, since when four of the five main institutional investors have indicated that they *would accept its offer of* BFr8,650 ($249) a share, said Mr Paul Dubrule, one of Accor's *two chairmen.*

This means Accor has acceptances for 26.1 per cent of the capital, which, added to the 26.8 *per cent the French com*pany already owns through Cobefin, its Belgian subsidiary, gives it 52.9 per cent control.

Yesterday's announcement lays to rest uncertainty that the takeover might run into a hitch because of some big *investors' complaints that the* price was too low.

Rolaco, the Saudi Arabian *investment fund, and Sodexho,* the French catering group, had both said they were not satisfied with the price, but had agreed *to accept the offer in* the absence of a better one, said Mr Dubrule.

The French state financial *institution, Caisse des Dépôts* et Consignations, has decided to keep its 27.9 per cent stake as a long-term investment, Mr *Dubrule said. Formally,* Accor's offer is open from tomorrow until December 5.

Usinor tumbles to *FFr921m* in first half

By Alice Rawsthorn in Paris

USINOR SACILOR, the world's second-largest steel-maker, yesterday announced a sharp fall in pre-tax profits to FFr921m ($160m) from FFr3.33bn in the first half of the year, reflecting the depressed state of the European and North American steel markets.

Later this month, Usinor is due to start talks with its unions over the terms of a rationalisation programme intended to reduce its workforce by several thousand *over the next three years. The* details of the programme should be announced by early December.

Usinor, like other European steel-makers, is suffering from the combination of weak demand and falling prices. The group mustered a modest increase in turnover to FFr51.44m against FFr49.2bn in the first half, but net profits *fell to FFr1.1bn from* FFr3.21bn.

The company said yesterday that there was no real *evidence of improvement in* either Europe or North America. The steel markets in most European countries were *still depressed, with the* exception of Germany where demand was at an "acceptable" level, *but prices* were weak.

In France, Usinor had benefited from slightly stronger demand from the French *car industry although* the industrial action at Renault could offset that. By contrast, demand from the *construction industry and the* public sector remain depressed. *The group has not* detected any sign of recovery in the US.

Usinor recently announced plans for a radical restructuring of its interests which will *involve reducing its* presence in "long" products for the construction industry.

The group's forthcoming rationalisation programme follows years of job losses which have reduced its French workforce from *150,000* to 66,000 over the past decade.

Jenbacher makes offer for Telfos

By Richard Gourlay in London

TELFOS HOLDINGS, the railway rolling stock company that hopes to become a major supplier to British Rail, is set *to pass into Austrian hands.*

Jenbacher Transportsysteme, the rolling stock company controlling 39 per cent of *Telfos,* announced a recommended cash offer valuing the UK group at £51m ($87.72m). The 115p-a-share offer represents an 83 per cent premium over the pre-bid price. Jenbacher raised its stake to 29.9 per cent in April through a subscription of new capital at 115p and bought a further 9 per cent yesterday before the bid.

The company said the deal would lapse if it was referred to the Monopolies and Mergers Commission within 21 days of the offer document being posted to Telfos shareholders.

Hawker Siddeley pledges sharp increase in dividend

By Andrew Bolger in London

HAWKER SIDDELEY, the UK engineering concern fighting a £1.5bn ($2.58bn) hostile takeover bid from BTR, yesterday *promised shareholders a sharp* increase in dividends and named likely buyers for large parts of the group.

Hawker said it had been at an advanced stage in negotiating to sell its rail division to Siemens, the West German engineering and electronics group, and was holding talks on the sale of about half the UK group's instruments and controls division to Emerson Electric of the US.

Hawker responded to the bid from BTR, the UK conglomerate, *by bringing forward plans* to focus on three divisions – electric motors, batteries and aero-engine repair and overhaul – *and sell off its other businesses, which account for* about 60 per cent of group turnover.

Mr Alan Watkins, *chief executive, said he was confident of* a phased sale of the switchgear and transformer businesses within the electric power division.

Mr Watkins said these transactions would add more than £300m to the turnover of the electric motors division and would also complete its product and geographic spread in Europe and the US.

Hawker confirmed its forecast pre-tax earnings for the year to December 31 would be down 7.4 per cent to £130m. *This had been arrived at after* charging reorganisation costs of £30m, £25m of which were non-recurring.

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Fiat in talks with Hitachi and Deere

FIAT, the Italian automotive group, expects to make an announcement "very soon" about talks with Japan's Hitachi and Deere of the US on co-operation in the earthmoving equipment sector, Mr Cesare Romiti, Fiat managing director, said yesterday, writes *Our Financial Staff.*

Mr Romiti's remarks were the first official confirmation of talks in the earthmoving equipment sector. Fiat had said on Monday that it would hold a press conference today.

Peugeot slows decline

By William Dawkins

A THIRD-QUARTER sales recovery at Peugeot, France's largest car-maker, has allowed the group significantly to slow down the rate of turnover decline so far this year.

Sales at Peugeot, which also includes the Citroën marque, rose by 6.3 per cent to FFr37.9bn ($6.57bn) in the three months to September, thanks to the successful launch of the Citroën ZX hatchback, with marginal help from Peugeot's new small car, the 106, which arrived too late to make greater impact on the period, said the group.

This comes at a time when the French car market is continuing its steep decline, with a 12.6 per cent fall in registrations in October, according to provisional figures released yesterday by CCFA, the car makers' federation. French car registrations fell by 13 per cent to 1.7m units in the first 10 months of the year, the CCFA said.

UBS expects record annual result

By Ian Rodger in Zurich

UNION Bank of Switzerland, the country's largest commercial bank group, expects to report record profits this year, due mainly to a strengthened position internationally.

"We think at present that 1991 consolidated net profit will exceed 1989's," Mr Robert Studer, chief executive, said at the bank's autumn news conference. UBS consolidated net profit dropped 9.3 per cent in 1990 to SFr896.7m from a record SFr988.8m in 1989.

Mr Studer said that the widely-publicised problems of some US and Japanese banks had helped widen margins in international corporate banking and at the same time improved the competitive position of the few remaining triple A-rated international banks, of which UBS was one.

Among the group's businesses, the strongest increase in profitability came from commissions on international loans, with operations in North America, the UK and Luxembourg doing particularly well. Mr Studer said the group's foreign outlets and subsidiaries now contributed nearly a quarter of the group's profits. Also, three-quarters of the SFr11.6bn ($7.8bn) rise in parent company loans in the first nine months of the year came from abroad.

In Switzerland, the bank suffered from a slump in the property market and "severe competition" in its securities brokerage business following the elimination of fixed commissions at the beginning of the year. Unusually high domestic interest rates squeezed margins.

With increased risks, notably in the Swiss property sector, Mr Studer said the bank's provisions and depreciation charges would be 30 per cent higher than those made last year and 10 per cent higher than in 1989.

Commenting on the agreement last month of European Community (EC) and European Free Trade Association (EFTA) countries to form a European Economic Area (EEA), Mr Studer warned that rejecting the proposed treaty could have unpleasant consequences.

UBS was well established in a number of European countries and would adapt to the open financial regime planned in both the EC and the EEA.

Robert Studer: strongest increase in profitability came from commissions on international loans

Swiss Re forecasts recovery

By William Dullforce in Geneva

SWISS REINSURANCE (Swiss Re), the world's second-biggest reinsurance group, yesterday forecast a recovery in 1991 consolidated net earnings but gave no interim profit figure.

Mr Richard Lieberman, head of corporate staff, said that, provided there were no unfavourable currency developments or extraordinary calamities in the last two months, 1991 earnings should be significantly better than in 1990 when Swiss Re suffered exceptional losses due to winter storms and net earnings slid by 22 per cent to SFr216m ($151m). The 1989 profit level of SFr277m should be attainable.

In the reinsurance business underwriting results could approach those reached in 1989 despite some large claims for typhoon damage in Japan and elsewhere and fire claims from Oakland, California, and Germany. In insurance operations, results would be at least as good as in 1989.

● Winterthur, the second biggest Swiss direct insurance group, is also forecasting a "substantial" profit recovery following last year's slide of 9.5 per cent to SFr237m in its net consolidated earnings.

Underwriting results had been better this year than last, while the growth in investment income would be higher than the 8.3 per cent experienced last year, Mr Peter Spälti, chairman, said.

Premium income should climb from SFr12.48bn last year to well over SFr14bn. Outside Switzerland, premiums are set to grow by more than 10 per cent in local currencies, the increase being due in part to the full consolidation for the first time of General Casualty, the US company bought last year. Currency fluctuations have this year worked to Winterthur's advantage.

Pargesa earnings slip to SFr163m

By William Dullforce

PARGESA HOLDING, the Swiss parent company for the investment group controlled by Mr Albert Frère, the Belgian businessman, and Mr Paul Desmarais, chairman of Canada's Power Corporation, has reported net earnings of SFr163.5m ($114.3m) equivalent to SFr134 a share for the first half of the year.

This result compares with a net profit of SFr197.9m, or SFr162.2 a share, for 1990 as a whole. With the usual reservations against unexpected events, Pargesa is forecasting an improvement in 1991 earnings. Last year, the second half produced a loss of SFr85m, which is not expected to be repeated this year.

In 1990, the holding company reported a statutory net income of SFr86m, or SFr70.5 a share, and paid an unchanged dividend of SFr65 a share.

Results for the first half of 1991 have been boosted through sales of investments by Pargesa and Groupe Bruxelles Lambert (GBL), in which Pargesa has a stake of 38.2 per cent. These sales follow the substantial disposal of holdings in 1990 following the resignation as chairman and chief executive of Mr Gérard Eskénazi, the French banker.

Pargesa's declared aim was to establish a substantial war chest. At the end of June this year its liquid holdings amounted to SFr1.8bn.

During the first half Crédit Communal de Belgique took *over half the Pargesa-GBL* stake in Banque Internationale à Luxembourg. GBL sold half of its 12.5 per cent participa*tion in Royale Belge, the insur*ance company, to Union des Assurances de Paris.

SE-Banken meeting delayed

By John Burton in Stockholm

THE FUTURE of Skandinaviska Enskilda Banken's 28.2 per cent shareholding option in *Skandia, Sweden's* largest insurer, remained unclear yesterday after the board of the country's largest bank unexpectedly postponed a meeting to discuss the issue.

The bank said that talks concerning its involvement in Skandia were continuing.

SE-Banken acquired the option last October in what was seen as a first step to a merger with Skandia. But Skandia's management has resisted merger proposals.

Speculation has increased that SE-Banken might either sell its option to Uni Storebrand, Norway's largest insurer, or divide Skandia's operations between them.

Sweden to change power board's status

VATTENFALL, Sweden's state power board, will be transformed into a *limited liability company from a state-owned* utility on January 1 under a proposal presented to parliament yesterday, writes Robert Taylor in Stockholm.

This is the first step in what promises to be the transformation of the Swedish electricity market in the face of increasing competition.

Boardroom dispute deepens at Foster's

By Kevin Brown in Sydney

A BOARDROOM dispute at Foster's Brewing worsened yesterday when Mr Nobby Clark, chairman, repeated claims that Mr John Elliott, the former chairman and chief executive, was bound by a 1990 agreement to support the existing board structure.

Mr Elliott, deputy chairman of the Australian brewing group, claims the agreement was restricted to the 1990 annual meeting, which gave control to a group of independent directors headed by Mr Clark.

Mr Elliott has indicated that his private company International Brewing Holdings (IBH), which owns 38 per cent of Foster's, may oppose the existing board structure at the annual meeting on November 13.

IBH was angered by the board's decision to pay no dividend for 1990-91, and has pressed for faster progress in restoring the finances of the group following losses of A$1.3bn (US$1.02bn) in 1989-90 and A$43m last year.

In a statement to the Australian Stock Exchange, Mr Clark and the three other independent directors said they "do not concur" with Mr Elliott's interpretation of the 1990 agreement.

The statement said independent management had strengthened the group's core brewing operations, which include Foster's and Carlton in Australia, Courage and Watney in the UK, and half of Molson Breweries in Canada.

The independent directors said they would oppose fundamental changes in the company's strategy designed to achieve short-term gains, and warned that dividends could be paid only after the company returned to profitability.

However, in an apparent gesture to Mr Elliott, the directors said Foster's was on course to re-establish profitability based on its core brewing operations, and promised a resumption of dividends "as soon as possible".

Mr Clark and two of the independent directors repeated an earlier threat by the chairman to resign if independent control of the board is ended at the annual meeting.

The third independent director is not seeking re-election.

Most observers think IBH would win sufficient shareholder support to defeat the existing board at the annual meeting if Mr Elliott decides to force the issue to a vote.

IBH depends on dividends from Foster's to pay interest on debts of A$2.4bn acquired to finance the purchase of its Foster's shares, which were worth around A$1.5bn at yesterday's closing share price of A$1.75.

Rand Mines cuts dividend by 46%

By Philip Gawith in Johannesburg

RAND MINES, the mining house that is part of the Barlow Rand group, ended a traumatic year to September 30, showing higher profits at the operating level, but with extraordinary write-offs of R800m ($280.7m) relating to disastrous platinum and gold investments.

Although the group managed to lift turnover by 5 per cent to R1.77bn, and attributable earnings rose 12 per cent to R250.3m, shareholders paid heavily for the group's troubles. The dividend was cut by 46 per cent, to 300 cents a share.

The year under review saw Rand Mines dispose of underperforming and non-core assets.

The most important of these was the sale of an effective 38 per cent stake in the Barplats group of platinum operations to Impala Platinum.

The directors wrote off R698m to provide for the reduction in market value of their investment in Barplats. The group provided R99.3m in relation to Barbrook, the gold mine under care and maintenance. Rand Mines ended the year with a retained surplus of R274.6m, down from R803.6m.

Profits from the sale of various coal, forestry and chrome interests were used to reduce the group's debt burden. Management anticipates that total debt will have been eliminated early in the new financial year when the proceeds from the recent sale of chrome interests is received.

These various transactions effectively leave Rand Mines as a coal house, with its main investment a 70.8 per cent stake in Witbank Collieries.

The disposals will also "enable the group to embark upon a period of consolidation leading to the achievement of sound profits in the years ahead," says Mr Dammy Watt, chairman.

Recession takes toll at S African group

By Philip Gawith

DIFFICULT economic conditions affected the results of three companies in the Barlow Rand group, reporting for the year to the end of September, with only one posting an earnings increase ahead of inflation.

Turnover rose by 18 per cent to R7.98bn ($2.8bn) at Tiger Oats, the food and pharmaceuticals company, and operating profit was 21 per cent up at R598m. Outside shareholders' interest more than doubled, leaving attributable income 13 per cent up at R289m, or 207 cents a share. The dividend was lifted by a similar margin to 71 cents per share.

Imperial Cold Storage (ICS), the perishable foods company, lifted attributable profits by 24 per cent to R45.5m. The meat division improved profits, but margins on dairy and broiler products were squeezed by oversupply. Earnings per share rose by 24 per cent to 119.7 cents, and the dividend was 16 per cent higher at 37 cents.

Difficult trading conditions in the building industry, likely to continue into 1992, limited growth in earnings per share at Pretoria Portland Cement (PPC), the country's largest cement and lime producer, to 7 per cent, up to 284.8 cents per share. Attributable profit rose by 8 per cent to R114.8m, while the dividend was lifted by 15 per cent to 172 cents a share.

Malbak, the industrial arm of the Gencor group, has announced a rights offer to raise R440m in order to capitalise upon prospects raised by recent acquisitions.

Malbak was last month involved in a series of transactions in which it disposed of construction and engineering interests while bolstering its position in the food and pharmaceuticals sectors. It acquired a 60 per cent interest in Fedfood and and 68 per cent stake in South African Druggists.

New World reduces payout as profits hold

By Angus Foster in Hong Kong

NEW World Development, a Hong Kong property company with hotel interests in Asia and the US, yesterday reported profits attributable to shareholders of HK$1.17bn (US$150.7m) in the year to the end of June, virtually unchanged from last time.

The company is cutting its final dividend to 34 cents a share to make total dividends for the year of 50 cents, compared with 61 cents a share last year.

The figures were expected because New World is heavily in debt following a string of expensive, and some still loss-making, acquisitions since 1989.

Turnover gained 21.7 per cent to HK$9.67bn and rental income from the company's properties in Hong Kong grew more than 30 per cent to HK$1.31bn.

This reflects New World's move towards property investment as well as property development.

Mr Henry Cheng, managing director, said the company's hotel operations, especially in Hong Kong, were affected by the Gulf war and recession.

In China, where the company manages seven hotels, business has been affected by an over-supply of rooms and slow recovery in tourism since 1989.

Ramada Inc, which the company bought in 1989, opened 23 new hotels and resorts during the year and manages more than 28,000 rooms worldwide. New World has sold most of Ramada's hotels in the US to pay debts.

New World is a 40 per cent partner in a joint venture building a ring road around China's southern city of Guangzhou. The first section was opened in September and the road is due for completion in 1993.

New World expects later this month to sign a final agreement on a 600,000 kW thermal power station in China, in which the company has a 50 per cent stake.

Sumitomo Electric rises 3.7% to Y17.8bn midway

By Steven Butler in Tokyo

SUMITOMO Electric Industries, the leading Japanese wire and cable manufacturer, yesterday reported a 3.7 per cent increase in pre-tax profits to Y17.8bn ($138m) in the six months to the end of September. Sales rose to Y393.0bn from Y370.3bn.

The sales increase was accounted for mainly by two items, a 25 per cent increase in construction income to Y20.1bn and a 3 per cent rise in sales of new products to Y53.8bn. This includes increased sales of optical local area network equipment, cable television equipment, and gallium arsenide semiconductor chips.

Sumitomo's sales of electric cable rose by 2 per cent to Y203bn.

Net earnings came to Y10.4bn, a rise of 7.7 per cent, and Sumitomo boosted its interim dividend by 25 per cent to Y5 a share. Sumitomo said the full-year dividend would rise from Y8 to Y10.

Changes in non-operating income and extraordinary items more or less cancelled each other out. Net non-operating income rose to Y1.47bn from Y828m. Asset disposals produced an extraordinary gain of Y3.6bn, compared with zero the previous period. Extraordinary losses, including a Y2.4bn loss on convertible bond sales and a Y2.0bn contribution to a directors' pension fund, came to Y4.9bn, compared to Y447m the previous period.

Sumitomo said its full-year net earnings would come to about Y22bn, comparedwith Y20.1bn, while saleswould rise to Y810bn from Y781.5bn.

● NEC Corp, Matsushita Electric Industrial and Mitsubishi Electric, the Japanese chip-makers, are negotiating the setting up of a research consortium to develop semiconductors for use in high-definition television (HDTV), and are sounding out potential US partners as well, AP-DJ reports.

The companies are discussing inviting a US company to help them compete with a research consortium recently set up by Hitachi, Sony, Fujitsu and Texas Instruments.

Bank chief opposes taking large stakes

By Lim Siong Hoon in Kuala Lumpur

MR Jaffar Hussein, the Malaysian central bank governor, has voiced his opposition to companies owning "significant" equity stakes in banks.

Mr Jaffar's public objection to the issue is a surprise since banking laws introduced in late 1989 already limit single ownership, whether by companies or individuals, to 20 per cent of any local bank.

Under the same laws, a finance minister is empowered to exempt anyone from the equity limit – a provision which has raised questions in parliament of political patronage. Exemptions had been given before, sometimes almost as many as there were applications.

In broaching the issue, Mr Jaffar appears to be signalling the ministry's willingness to challenge influence peddling that has crept into the process.

But it leaves unanswered the question about what the central bank would do with companies already owning "significant" stakes. Mr Jaffar would only say that the central bank "intends to inspect with a very sharp pencil the books of holding companies to ensure that there are no conflict of interest situations or situations of undue influence".

Mr Jaffar also urged local banks to merge in order to survive in a future environment when Malaysia might "very well have to allow" international banks free access and equal treatment.

His speech on Sunday follows the budget announcement by Mr Anwar Ibrahim, the finance minister, who challenged businessmen not to be "greedy".

Mr Anwar plans to establish next year a single, regulatory Securities Exchange Commission as part of the measures to build up Kuala Lumpur into a key equity and capital market place.

Other measures, announced in his 1992 budget last week, included the introduction of scripless trading on the local stock exchange and the abolishing of tax on interest earned on corporate bonds, which are not convertible.

INTERNATIONAL COMPANIES AND FINANCE

Mexico prepares for toughest privatisation

Damian Fraser finds the government enthusiastically moving towards the sale of steel

MEXICO'S privatisation programme has proved one of the developing world's most successful. In less than three years, the government has sold 160 companies for about $13bn.

However, it is about to meet its toughest test yet: the sale of the three state-owned steel companies, scheduled for November 19.

Unlike the state telephone company and the banks sold over the past year, the steel companies are fully exposed to the rigours of international competition. They are barely profitable. Above all, international steel companies, in contrast to those in the telephone business, are short of money and suffer from overcapacity.

A year ago, things looked even worse. Some Mexican steel mills caused heavy pollution and all were over-manned and burdened by stringent labour regulations. The mills were part of a single company that was in a mess. It had no long-term contracts with energy suppliers, owned many unrelated businesses, most of which were connected through complicated cross-shareholdings, and in which there were often private shareholders. As Mr Aaron Tornell, the official responsible for steel privatisation, says: "No one would have bought them in the state they were in."

There is still no guarantee that the companies will be sold: there may be no bids, or those made may not meet the government's undisclosed reserve price. However, half a dozen companies are apparently considering making offers.

Ahmsa, the oldest mill which still needs $100m of investment to meet environmental regulations, is expected to be sold for nearly $300m. The two leading contenders are Hysla, the steel subsidiary of Mexico's second largest conglomerate, Alfa, and a group led by Imsa, another Mexican steel-maker, and Grupo Villacero.

Many international companies – including Italian steelmaker Riva, the Indian steelmaker Ispat with Mitsubishi of Japan, Geneva Steel, North Star Steel, and the German trading company Coutigno Caro – have registered interest in bidding for the other two concerns. Together they could fetch $350m.


Sir Ian McGregor: provided 'instant credibility'

Ahmsa was brought under government control in 1971, 30 years after it was built, and dominates the desert town of Monclova, about 200km south of the border with Texas.

The mills, which last year employed 18,000 workers, used about 15 man-hours to produce a tonne of liquid steel, against about six man-hours in the developed world. Worse, assets included four ancient Siemens-Martin furnaces that, according to Mr Ian Mathieson, of the consultants McLellan, caused "clouds of red fumes that could be seen 20km away. It was so thick it was not true".

The two newest mills, now known as Sicartsa and Sibalsa, were commissioned by President Luis Echeverria in the 1970s and constructed in the new port of Lazaro Cardenas.

Sicartsa, which produces 1mtons of non-flat steel, made profits of $70m in 1988, and is perhaps worth $200m. Sibalsa, one of the most modern steel plants in the world, cost about $2bn.

It has not been finished, and has become one of the great white elephants of Mexican industrial history. Part of the plant opened in 1988. It produces steel slabs at a loss and production is at one-third of potential capacity of 2.5m tonnes. The space where the plant's plate mill should have been built is empty. The mill is essential for profitability, and will cost at least $200m to finish.

As in all Mexican privatisations, the Finance Ministry's first task was to select foreign consultants. Only two Mexican government officials worked full time on the steel privatisation, and the consultants were given an almost free hand to prepare the companies for sale.

The Mexican government picked McLellan of the UK as technical advisers. The consultants on the project had all worked at British Steel, and were therefore familiar with the difficulties of a nationalised steel company.

They also knew Mexico well: ironically, they had advised the Mexican government on how to build Sicartsa. Sir Ian McGregor, the Scotsman who formerly headed British Steel and British Coal, was also hired. A Finance Ministry official said: "That gave us instant credibility."

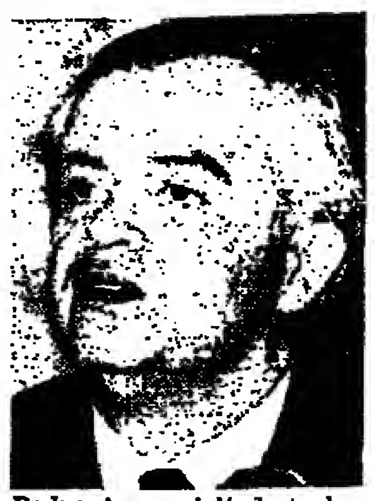
The UK's S.G. Warburg was chosen as the investment bank, in part because its project leaders showed the greatest willingness to commit time to the privatisation, one of the most important criteria from the Mexican viewpoint. With McLellan and Warburg, the Mexicans judged the people who were doing the job, rather than the institution they represented. Price, apparently, was not an important issue.

McLellan's task was to do what a buyer could not do or would worry about doing. It immediately scrapped Ahmsa's $400m investment programme, reckoning that a buyer would want to decide its own investment plans.

Instead, the consultants concentrated on defining the property rights and assets of the companies. Without clear labour contracts, environmental regulations, energy supply contracts and so on, international buyers were not regarded as likely to bid.

At the consultants' suggestion, the government:

- Split the company. The original state steel concern, Sidermex, had about 20 subsidiaries. Nearly all owed money to and owned parts of many of the others. Splitting the companies, and sorting out their liabilities, was vital to determining what each plant was worth. By dividing the steel mills into three separate companies, the government also put them in the financial reach of many more buyers;


Pedro Aspe: visited steel companies in Europe

- Re-wrote the labour contract and energy contracts. This proved the trickiest task, and at first the union at Lazaro Cardenas rejected the government's proposed reforms. The government eventually, under the threat of closure of the mill, forced the union to agree to job cuts that will reduce the workforce for the three mills from about 25,000 in 1990 to under 12,000 next year.

The union also agreed to change work practices relating to labour mobility and management's right to contract out work. It was thought easier to make the labour cuts before the sale: a closure threat was credible before privatisation but probably not after a buyer had spent money;

- Designed and introduced environmental regulations. Until last year, Sidermex did not face environmental regulation. Sedue, Mexico's Environment Ministry, did not even know how to regulate emissions from steel mills, and McLellan had to provide the expertise. In May, the government shut down the Siemens-Martin open hearth furnaces, cutting Ahmsa's output by more than a fifth to 2.5m tonnes. The eventual owners of the steel mills will have to comply with the environmental regulation;
- Sought community help. The Finance Ministry reckoned no international steel firm would want to buy a steel plant in a hostile community, so the government set about encouraging new businesses to move to Monclova and Lazaro Cardenas.

Meanwhile, Warburg tried to devise sale terms that would attract as many bidders as possible. In a break with previous privatisations, the government agreed to accept bids in the form of debt so as to encourage steel companies without cash. Warburg devised a formula which expresses all debt, of whatever maturity, in terms of a present value equivalent. The formula was available to all bidders, making the process transparent.

Interest was generated by the government when it sent Mr Pedro Aspe, its finance minister, to talk to steel companies in Europe. Prospective buyers visiting Mexico were invited to meet the cabinet minister of their choice.

The ministry decided to hold the auction for all three mills on the same day, the theory being that this would stop firms bidding low in the knowledge that if they lost there are more privatisations ahead.

The difficulties in privatising loss-making industries are not unique to Mexico. As Mr Mathieson says: "The over-manning, poor decision-making, and top-heavy organisation we saw is typical of a nationalised industry . . . nothing we saw surprised us." Hundreds of lost jobs, for example in maintenance and purchasing departments, were also the first to go in British Steel in the 1970s.

The Mexican solutions, however, may not be easy to replicate elsewhere. Not every country has such a powerful executive arm of government and a weak labour movement. Two days after McLellan sent a memorandum advising that the vast Siemens-Martin open hearths should be shut down, the order was carried out. According to Mr Mathieson: "The Mexicans did in one year what took [Britain] six years."

Quebecor raises nearly C$60m in new equity

By Robert Gibbens in Montreal

QUEBECOR, a leading *Canadian publishing group*, has raised nearly C$60m (US$53.5m) in new equity and may take its big commercial printing subsidiary public next year.

Mr Pierre Peladeau, chairman and major shareholder, said the money raised from private placement of 3m class B shares would bolster working capital and position Quebecor for further expansion in commercial printing.

Last year, Quebecor bought Maxwell Communication's US printing operations for nearly US$500m. This made Quebecor Printing North America's second largest commercial printer.

Mr Peladeau said Quebecor could free about US$100m by taking its printing subsidiary public through a New York *underwriting group. However*, Quebecor's overall debt does not make the move urgent.

He said he was a potential buyer of some of the printing assets being put up for sale by Southam, another big Canadian publishing group, in five regional parcels and estimated to be worth more than US$300m.

Quebecor raised C$58.5m in new equity as its stock moved to a 52-week high of C$21.25. Earnings have been affected by the recession and difficulties at Donohue, a newsprint producer jointly controlled with Maxwell Communication.

Donohue, however, is one of North America's lowest cost producers and will be among the first to recover from the present down cycle.

Philip Morris buys Hungarian group

PHILIP Morris, the US tobacco company, yesterday announced that it had acquired Egri Dohangyar, one of Hungary's largest state-owned cigarette makers, writes Nicholas Denton.

The US company said the investment in Hungary marked *the first of a series of acquisitions* in eastern Europe.

Egri Dohangyar, which was bought for an undisclosed sum, made pre-tax profits of Ft407m ($5.5m) in 1990 on sales of Ft3,369m ($45.5m).

British American Tobacco has also been bidding for Hungarian cigarette manufacturers. However, a proposed involvement with Pecsi Dohangyar has run into difficulties.

Cigarette manufacturing is one of the few sectors of eastern Europe's economy attractive to foreign investors.

Northwest Airlines rises to $105m

By Nikki Tait in New York

NORTHWEST Airlines, the fourth largest US carrier which has recently been entertaining some form of deal with the *bankrupt Continental Airlines*, recorded after-tax earnings of $105m in the three months to end-September, compared with $91m in the same period a year earlier.

Northwest is the main operating subsidiary of NWA, the company which took Northwest private via a $3.65bn leveraged buyout in 1989. NWA itself reported a third-quarter net profit of $23m, but still showed a $153m loss after tax for the first nine months of 1991.

During the third quarter, Northwest Airlines' traffic rose 6.4 per cent – with total revenues reaching $2.15bn – but capacity was 7.6 per cent higher.

The passenger load factor slipped 0.8 percentage points to 71.2 per cent. However, the yield, in terms of revenue per passenger mile, was up from 12.06 cents to 12.14 cents.

Northwest said that it had seen some improvement in booking trends, but warned that yields were still under pressure.

Mr John Dasburg, Northwest's chief executive, said: "It is clear that neither the country nor the airline industry has yet emerged from the recession."

Virtually all the large US carriers have reported third-quarter figures and the picture has been mixed. American Airlines fared better than expected, for example, but United's figures were generally disappointing. Most carriers are still complaining about the pricing tactics of the bankrupt airlines.

KLM, the Dutch national carrier, holds a large stake in NWA, and there have been suggestions that its possible "co-operation" discussions with British Airways could involve Northwest as well.

Continental, however, said last week that its own discussions with Northwest were continuing.

Canadian bank to redeem shares

By Bernard Simon in Toronto

ROYAL Bank of Canada, the country's biggest financial institution, is spending C$135m (US$120.5m) to redeem one series of preferred shares and two outstanding debenture issues.

A bank official said yesterday that the securities were being redeemed because of their relatively high cost at a time when interest rates were falling sharply. Even after the redemptions, the bank's capital ratios would remain well above Bank for International Settlements guidelines, and no further funding was contemplated in the immediate future.

The series A preferred shares will be redeemed on December 6 at C$25 a share, plus accrued dividends of 8.7 cents each, for a total cost of C$102m. The dividend was equivalent to a rate of 7.5 per cent, or 18 per cent before tax.

The two debenture issues to be redeemed are the 10 per cent issue due in May 1994 and another 10 per cent issue due in December 1994. These coupon rates are also significantly higher than recently-issued debentures for blue-chip companies.

The redemptions will fractionally lower Royal's total ratio of capital to assets to 9.2 per cent, based on the July 31 balance sheet. The tier one ratio remains unchanged at 6 per cent.

Canadian banks ended their 1991 fiscal year on October 31 and are due to report annual earnings within the next month.

INTERNATIONAL CAPITAL MARKETS

Weak demand for auction pushes Treasuries lower

By Patrick Harverson in New York and Sara Webb in London

SURPRISINGLY poor demand for the afternoon auction of three-year notes sent US bond prices tumbling across the board yesterday.

In late trading, the benchmark 30-year government bond, which had been little changed for the most of the day, was down 25/32 at 101⅛, yielding 8.012 per cent. The two-year note was also easier, down ⅛ at 100 1/32, yielding 5.695 per cent.

The auction of $12bn three-year notes had been expected to go relatively smoothly, although it was the first conducted under new rules revised by the Treasury in the light of the Salomon bid-rigging scandal. Uncertainty about the direction of monetary policy, however, and doubts about whether the Fed will soon cut the discount rate to stimulate the flagging economy, were blamed for the lack of interest

GOVERNMENT BONDS

in the new three-year notes, which after the auction were awarded to bidders at an average yield of 6 per cent (the market had predicted an average yield of 5.98 per cent).

It was too early to tell if the introduction of the new rules had anything to do with the poor auction. A clearer idea will be available once the 10-year and 30-year auctions have been completed.

■ GERMAN government bonds drifted up during the day, helped by positive economic news. Traders said activity in the market remained dull as investors waited on the sidelines ahead of a government announcement on the taxation of investment income.

The Liffe bund futures contract opened at 85.40, traded in a range of 85.31-85.50 and closed at around 85.48.

Traders commented on two pieces of good news for the bund market – reports from Germany's IG Metall union that Volkswagen has agreed to a 6.7 per cent wage increase, and the latest industrial production figures.

The 6.7 per cent wage increase is well below the figure of 10 per cent which the union had pressed for earlier. The news coincided with a statement from Bundesbank board member Mr Otmar Issing saying that West German inflation, at an annual rate of 4 per cent, was too high and that the reduction of inflationary pressures remained the Bundesbank's primary goal.

■ UK government bond prices weakened slightly on low volumes as investors waited for today's autumn statement when Mr Norman Lamont, the Chancellor of the Exchequer, is due to announce public spending plans for 1992-93.

The market is also waiting to see the outcome of the by-elections in Langbaurgh, Kincardine and Deeside, and Hemsworth tomorrow. The ruling Conservative party is widely expected to do badly in all three seats.

The benchmark 11¾ per cent gilt due 2003/07 slipped from its opening of 112⅜ to trade at 112¾ by late afternoon. The Liffe gilt futures contract fell from 94.22 to 94.14 yesterday on low volumes.

■ UNCERTAINTY over the timing of a cut in the Official Discount Rate depressed Japanese government bond prices yesterday.

The market has been expecting the Bank of Japan to cut the ODR by a half-point this month. Reports in the Japanese press at the weekend suggested the rate could be cut as soon as today, but yesterday a Japanese government official was reported as saying no decision had yet been taken yet on the timing of a cut.

The yield on the benchmark No 129 opened at 5.87 per cent, moved to 5.92 per cent in the Tokyo trading session and traded at around 5.95 per cent in London hours. Overnight call money rates edged up from Friday's level of 6⅜ per cent to 6⅝ per cent yesterday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.2004	+0.617	9.75	10.03	10.18
BELGIUM		9.000	06/01	99.2500	-	9.11	9.08	9.09
CANADA *		8.750	12/01	107.2500	+0.350	8.65	8.91	9.07
DENMARK		9.000	11/00	100.2750	-0.000	8.96	8.92	9.03
FRANCE	BTAN	8.500	11/96	98.1539	-	8.97	8.91	9.04
	OAT	9.500	01/01	104.1200	-0.110	8.81	8.73	8.86
GERMANY		8.25	09/01	99.1700	+0.020	8.37	8.32	8.23
ITALY		12.000	05/01	97.0000	-0.050	12.43	12.48	12.52
JAPAN	No 119	4.800	06/99	92.4628	-0.236	6.26	6.18	6.21
	No 129	6.400	03/00	102.6154	-0.462	5.85	5.84	5.87
NETHERLANDS		8.500	03/01	98.1000	-	8.80	8.77	8.69
SPAIN		11.600	07/98	100.7700	+0.020	11.62	11.58	11.54
UK GILTS		10.000	11/96	100-29	+02/32	9.77	9.72	9.64
		10.000	02/01	101-09	+00/32	9.78	9.74	9.61
		9.000	10/08	95-03	-04/32	9.59	9.48	9.42
US TREASURY *		7.875	08/01	102-05	-12/32	7.55	7.63	7.42
		8.125	08/21	101-03	-25/32	8.02	8.09	7.81

London closing, *New York closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Baltic banks plan to issue Visa cards

PLASTIC cards may help Estonia, Lithuania, and Latvia make the transition to their own national currencies, Visa International said yesterday, writes David Barchard.

Mr Jacques Kosciusko, Visa managing director in Europe, said four commercial banks in the Baltic republics which have joined Visa would be pioneers in establishing effective payment systems in their own countries.

The four are Union Bank of Estonia, the Rigas Commercial Bank of Latvia, the Vilnius Bank of Lithuania and the Bank of Lithuania.

The banks hope payment by plastic cards may assist in the transition from roubles to their proposed new national currencies.

All four will issue internationally-valid Visa cards to customers with hard currency accounts. Rigas Commercial Bank is to run a pilot scheme for a domestic card purchase operation, at the request of the Latvian government and central bank.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103¾	+⅛	6.25
ALBERTA PROVINCE 9 3/8 95	600	107¾	108		7.07
AUSTRIA 8 1/2 00	400	103¼	103½	-⅛	7.96
BANK OF TOKYO 8 3/8 96	100	102⅝	103⅛		7.63
BELGIUM 9 5/8 98	250	109⅛	109⅜		7.81
BFCE 7 3/4 97	150	101½	102¼	+⅛	7.39
BNP 8 5/8 94	300	104⅝	105¼		6.60
BP CAPITAL 9 5/8 93	150	103¾	104¼		6.24
CANADA 9 96	1000	107½	107⅝		6.94
CARCO 9 1/4 96	650	103	104	-⅛	8.44
CCCE 9 1/4 95	300	107⅛	107½		6.76
COUNCIL EUROPE 8 96	100	102⅝	103⅛		7.31
CREDIT FONCIER 9 1/2 99	300	109⅛	109½	+⅛	7.80
DENMARK 8 1/4 94	150	104⅛	104⅝	+⅛	6.51
DENMARK 9 1/4 95	1571	107⅛	107⅜		6.79
ECSC 8 1/4 96	193	104⅜	105		7.19
EEC 7 1/4 93	250	101⅜	101¾	+⅛	6.10
EIB 7 3/4 96	250	102½	103	+⅛	7.09
EIB 9 1/4 97	1000	108⅜	108⅝		7.30
ELEC DE FRANCE 9 98	200	106⅛	106⅜		7.70
EURO CRED CARD TST 9 94	325	104¾	105¼		7.15
EUROFIMA 9 1/4 96	100	106⅛	107⅛		7.39
EXPORT DEV CORP 9 1/2 98	150	108¾	109¼		7.76
FINLAND 7 7/8 97	200	101¼	102⅛	+⅛	7.45
FINNISH EXPORT 9 3/8 95	200	107⅝	108		7.10
FORD MOTOR CREDIT 9 1/2 93	300	103⅝	104⅛		7.31
GEN ELEC CAPITAL 9 3/8 96	300	106⅝	107⅛		7.53
GMAC 9 1/8 96	200	104⅛	104⅝	-⅛	7.91
HALIFAX 9 1/2 93	200	104⅝	105¼	+⅛	6.38
IBM WORLD TRADE 7 5/8 93	150	101⅞	102⅛		6.61
IND BK JAPAN FIN 7 7/8 97	200	100⅛	101		7.74
INTER AMER DEV 7 5/8 96	200	101½	101⅞		7.24
ITALY 8 1/2 94	1500	105¼	105⅜	+⅛	6.50
JAPAN DEV BK 8 94	150	103⅛	103⅝		6.44
KANSAI ELEC PWR 10 96	350	109⅛	109⅝		7.47
LTCB 8 5/8 93	150	102⅝	103⅛		6.48
NEW ZEALAND 8 93	100	102½	103		6.29
NIPPON CRED BK 9 3/4 93	150	105¼	105⅝	+⅛	6.76
NIPPON TEL & TEL 9 3/8 95	200	106⅝	107⅛	-⅛	7.05
NORDIC INV BANK 9 93	200	103⅜	104⅛		6.11
ONTARIO HYDRO 11 5/8 94	200	110⅛	110¾	+⅛	6.57
OSTER KONTROLLBANK 8 1/8 93	200	102⅝	103		6.03
PETRO-CANADA 7 1/4 96	200	100⅛	100⅝	+⅛	7.20
QUEBEC HYDRO 9 3/4 98	150	108¾	109	-⅛	8.13
QUEBEC PROV 9 98	200	104½	105		8.08
SAINSBURY 9 1/8 96	150	105⅝	106½		7.64
SAS 10 99	200	105	106⅛	-⅛	9.02
SBAB 9 1/2 95	500	107½	107⅞	+⅛	7.03
STATE BK STH AUST 9 1/4 93	100	103½	104		6.24
SUMITOMO BK CAP MKT 9 3/8 93	150	104⅞	105⅛		6.74
SWEDEN 8 1/8 94	150	103⅞	104⅛	+⅛	6.47
SWEDISH EXPORT 9 5/8 93	100	104¼	104⅝	-⅛	6.10
TOKYO METROPOLIS 8 1/4 96	200	103¾	104¼		7.33
WORLD BANK 8 3/8 99	1500	104¼	104⅜		7.79
WORLD BANK 8 3/4 97	1500	107	107¼		7.27
XEROX CORPN 8 3/8 96	100	101⅞	102½	+⅛	8.02

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	102	102¼	-⅛	10.46
BULGARIAN TRADE BK 8 1/2 96	200	85⅛	85⅜	-⅛	12.88
DEUTSCHE FINANCE 7 1/2 95	1000	97⅝	97⅞		8.26
EIB 5 3/4 98	400	87½	87⅞		8.37
EIB 6 7/8 95	300	95⅜	95⅝	-⅛	8.11
EUROFIMA 6 1/4 98	400	89⅛	89⅜		8.40
FERRO DEL STAT 5 3/8 93	500	96⅛	96⅜	+⅛	8.79
FIRST INTERSTATE 5 3/4 96	100	84	84		10.35
IND BK JAPAN FIN 5 5/8 96	200	88⅛	88⅜		8.95
IND DEV BK INDIA 6 3/8 94	200	89⅜	89⅞		10.36
LUFTHANSA INT FIN 5 7/8 98	500	86⅛	86⅜	-⅛	8.62
NACIONAL FINANCIERA 11 95	150	101	101½		10.61
NAT BK HUNGARY 8 96	200	90⅜	90⅝	-⅛	10.58
QUEBEC HYDRO 6 3/4 99	300	89½	89⅞		8.72
SWEDEN 6 1/8 98	300	88⅜	88⅝	+⅛	8.44
VENEZUELA 8 1/4 93	100	96¼	96½	-⅛	10.39
WORLD BANK 0 15	2000	17⅜	17⅝	+⅛	7.43
WORLD BANK 5 3/4 96	300	90⅞	91⅛	+⅛	8.31
WORLD BANK 7 1/8 95	500	97⅛	97⅜		8.17

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86½	86¾		7.34
AUSTRIA 4 5/8 98	100	86½	87½		7.39
CHUBU ELEC POWER 6 3/4 01	300	98	99	-½	7.04
COUNCIL EUROPE 4 3/4 98	250	87¾	87⅞	+⅛	7.24
EEC 5 1/2 00	100	87⅝	88	-1¼	7.40
EIB 6 1/2 98	600	96⅛	96⅜	-⅛	7.11
ELEC DE FRANCE 7 1/4 06	100	100	100½	+⅛	7.25
FINLAND 5 3/8 95	150	93½	94½		7.31
GENERAL MOTORS 7 1/2 95	100	100½	101	+⅛	7.31
JAPAN DEV BK 5 1/2 94	100	95¼	95¾		7.85
KOBE 6 3/8 01	240	94	94½	+½	7.25
NEW ZEALAND 4 7/8 99	200	84	85		7.85
QUEBEC HYDRO 5 08	100	74	76	-1	7.87
WORLD BANK 5 03	150	82	82½		7.33
WORLD BANK 7 01	600	99¼	99¾	-½	7.03

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97⅛	98		5.86
CREDIT FONCIER 5 1/4 94	20000	97⅞	98¼		6.05
DENMARK 7 95	40000	103¼	103¾		5.90
EIB 4 5/8 94	40000	97⅜	97⅝		5.77
FINLAND 6 3/4 96	50000	102⅝	102⅞	-⅛	6.10
GENERAL ELECTRIC 5 3/4 93	35000	99⅛	99⅜		6.29
INTER AMER DEV 7 1/4 00	30000	108⅛	108⅝	-⅛	5.96
KANSAI ELEC PWR 4 5/8 94	60000	96⅛	96⅜		6.11
NIPPON TEL & TEL 5 7/8 96	50000	99⅛	99⅜		5.99
NORWAY 5 1/8 95	50000	97⅝	97⅞	-⅛	5.90
SNCF 6 3/4 00	30000	105⅛	105⅜	-⅛	5.93
SWEDEN 5 5/8 95	20000	98⅜	99⅛		5.99
WORLD BANK 6 3/4 00	50000	105⅜	105⅝	-⅛	5.93

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.59
KREDIETCORP 7 93 LFr	1000	95⅝	96⅛		9.79
WORLD BANK 8 96 LFr	1000	96½	97½		8.96
BCE INC 9 5/8 93 C$	300	101⅞	102½		8.16
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	+⅛	9.43
BRITISH COLUMBIA 9 1/4 93 C$	150	101½	102	+⅛	7.95
EIB 10 1/8 98 C$	130	104⅞	106	+⅛	9.06
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	104	+⅛	9.10
FORD CREDIT CANADA 10 94 C$	100	102⅞	103½	-⅛	8.75
GENERAL ELECT CAP 10 1/4 93 C$	175	103¾	104⅛	+⅛	8.03
ONTARIO HYDRO 10 7/8 99 C$	500	107½	107⅞	+⅛	9.40
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅞	106⅛		9.14
QUEBEC PROV 10 1/2 98 C$	200	105½	106	+⅛	9.39
ROYAL TRUSTCO 10 1/4 93 C$	100	101⅝	102¼	+⅛	9.01
SWEDEN 9 3/4 93 C$	250	102¼	102⅝	+⅛	8.03
BELGIUM 9 1/8 96 Ecu	1250	100⅛	100⅜	-⅛	9.03
CNT 7 3/8 93 Ecu	250	96⅛	96⅝		9.99
CREDIT LYONNAIS 9 96 Ecu	125	98	99¼	-⅛	9.54
DENMARK 7 5/8 96 Ecu	250	92½	93⅛	+⅛	9.75
EEC 7 5/8 94 Ecu	200	96½	97	-⅛	9.34
EIB 10 97 Ecu	1125	104½	104⅝	-⅛	8.87
ITALY 10 3/4 00 Ecu	1000	109¼	109½	-⅛	9.11
UNITED KINGDOM 9 1/8 01 Ecu	2750	101¼	101⅜	-⅛	8.91
BP AMERICA 12 1/4 96 A$	100	108⅛	108⅝	+⅛	9.82
COMM BK AUSTRALIA 13 3/4 99 A$	100	117⅜	117⅞	+⅛	10.40
COUNCIL EUROPE 13 93 A$	50	103⅞	104⅛	+⅛	9.63
EKSPORTFINANS 12 3/8 95 A$	75	109⅛	109⅜	+⅛	9.18
FORD CRED AUST 13 93 A$	50	102⅝	103⅛	-⅛	10.68
MCDONALDS CANADA 15 95 A$	100	115¼	115⅜	+⅛	9.78
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅝	110⅞	+⅛	9.41
STATE BK NSW 14 1/4 99 A$	100	118⅛	118⅝	+⅛	10.70
VOLKSWAGEN INTL 15 94 A$	100	111¼	111⅝	+⅛	9.63
ABBEY NATL TREAS 13 3/8 95 £	100	107¼	107⅜		10.61
BARCLAYS JERSEY 9 1/2 93 £	250	98⅞	99¼		10.30
BRITISH GAS 12 3/4 95 £	300	106⅛	106⅜		10.31
DEUTSCHE BK FIN 11 94 £	225	101⅛	101⅜		10.23
EIB 10 97 £	536.5	99⅛	99⅜		10.10
FORD CREDIT FUNDING 9 5/8 93 £	50	97⅞	98⅛		11.30
INTER AMER DEV 11 3/8 95 £	75	103⅛	103⅜		10.15
ITALY 10 1/2 14 £	400	98½	98⅞	-⅛	10.66
LAND SECS 9 1/2 07 £	200	84⅞	85⅛	-⅛	11.63
LEEDS PERMANENT 9 1/4 93 £	50	98	98½	+⅛	10.62
NORWAY 10 1/2 94 £	200	100⅝	101		10.13
ROLLS-ROYCE 9 5/8 93 £	150	98	98½		10.93
SAINSBURY 10 7/8 93 £	100	100⅛	100⅝		10.68
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅞	106⅝		10.86
WORLD BANK 11 1/4 95 £	100	103¼	103⅝		10.11
ABBEY NATIONAL 0 96 NZ$	100	63½	64½		9.68
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	106⅝	107⅛		9.09
AIDC 7 7/8 93 FFr	600	97⅜	97⅞		9.43
CEPME 10 95 FFr	2000	102⅝	102⅞		9.17
EURATOM 7 5/8 98 FFr	500	92¾	93¼	-½	9.11

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.54	99.64	10.6425
BANCO ROMA 0.03 01	200	91.45	92.60	6.4675
BANCO SANTO SPIRITO 93	200	99.56	99.68	5.6250
BELGIUM 1/16 97 DM	500	99.96	100.08	9.5000
BFCE -0.02 96	350	99.99	100.09	6.1050
BNP 05	300	95.31	96.25	5.5625
BRITANNIA 1/10 96 £	150	99.14	99.33	10.6625
CCCE 06 ECU	200	99.94	100.04	9.7500
CITIZENS FED 0.15 96	100	99.51	99.94	5.9625
COMMERZBK O/S FIN 93	200	100.00	100.10	5.8750
CREDIT FONCIER -1/16 98	200	99.83	99.93	5.3438
DENMARK -1/8 96	1000	99.82	99.92	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.93	100.03	9.5156
ELEC DE FRANCE 1/8 99	400	100.55	100.86	6.0625
FERRO DEL STAT 94	200	100.74	100.98	5.9375
HALIFAX 1/10 94 £	200	99.95	100.04	11.1000
IRELAND 98	300	99.52	99.62	6.4400
ITALY 00	500	100.51	100.61	6.3750
MITSUI FIN ASIA 1/8 96	100	99.48	99.57	5.9375
MORGAN (JP) 1/4 97	250	99.00	99.75	6.0000
NAT WEST FIN 3/16 05	400	91.50	92.75	5.5000
NEW ZEALAND 93	500	99.99	100.09	5.7500
RENFE 98	500	99.90	100.00	6.0625
SOCIETE GENERALE 96	300	99.47	99.57	5.6250
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.95	99.98	5.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125	126¼	
CHUBB CAPITAL 6 98	250	86	102	103	+28.29
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	105	106	+15.00
EASTMAN KODAK 6 3/8 01	300	50.67	99½	100⅛	+11.73
GOLD KALGOORLIE 7 1/2 00	65	1.0554	76¼	77¾	+51.26
HANSON 9 1/2 06 £	500	2.5875	99⅛	99⅝	+22.43
HAWLEY 6 02 PREF	400	19.1	83⅞	86⅞	
HILLSDOWN 4 1/2 02 £	150	3.97	114½	115½	
LAND SECS 6 3/4 02 £	84	6.72	84⅞	85⅞	+13.68
LASMO 7 3/4 05 £	90	5.64	79½	80½	+44.17
MITSUI BANK 2 5/8 03	200	2337½	99⅛	101¼	+13.49
MOUNT ISA FIN 6 1/2 97	100	2.283	90⅞	91⅞	+16.57
OGDEN 6 02	85	39.077	74½	75⅛	+54.34
SMITH & NEPHEW 4 02 £	90	1.775	117⅛	118⅛	+57.15
SUMITOMO BANK 3 1/8 04	300	3606.9	79⅜	80⅜	+13.71
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	86⅞	87⅞	
THORN EMI 5 3/4 04 £	103	7.45	117⅛	118⅛	+9.31

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Foreign trust funds raise Y373bn in Japan

By Emiko Terazono in Tokyo

FOREIGN investment trusts have raised Y373.6bn ($2.86bn), or 2 per cent of the total amount of investment trusts sold in Japan, just 12 months after their entry into Japan.

Despite sluggish market conditions, the three investment trusts – Warburg Investment Trust, Invesco MIM, and Jardine Fleming Investment Trust – raised Y220.7bn, Y80.2bn and Y72.7bn respectively. The Ministry of Finance opened up the Japanese investment trust market to foreigners in October last year.

The scandals surrounding Japan's big four brokers have helped foreign investment trust funds, which have attracted investors with their "cleaner" image. "We didn't expect it to be a good year, but we expect to be well over our annual target of Y100bn by the end of the year," said Mr Stephen Barber, president of Invesco Mim.

However, the Japanese investment trust market has been hit by the lingering effects of last year's stock market decline and the financial scandals. Net assets of investment trust funds in Japan have fallen from Y58,649bn at the height of the 1989 bull market to Y43,209bn at the end of September 1991. New sales of investment trusts have also slowed, with only Y388.6bn worth of new funds established in August 1991, the lowest since August 1985.

Warburg Investment Trust attributed its success to the company's focus on marketing bond funds rather than equity related funds. "This is a demonstration that the Japanese investors will respond to particular products which fulfil their needs," said a company spokesman.

Warburg Investment Trust's yen-denominated global bond fund recently raised Y35.3bn, the largest investment trust sold in Japan on behalf of a foreign-owned investment manager. At the moment, foreign investment trust funds can only be sold through the retail network of local brokers.

Mr Yoshio Hoshino, president of Jardine Fleming Investment Trust Management, said that foreign companies have more expertise in global portfolio management. But he pointed out that low fee rates, higher expenses and complicated procedures made operating in Japan less attractive.

"Market conditions had totally changed from when we decided to come into the market and when we actually did. But, after all the preparation and screening, we really couldn't turn back," said Mr Hoshino.

However, the size of the Japanese investment trust market continues to attract foreign companies, and two more foreign investment management groups are expected to enter the market in the near future.

While domestic brokers remain pessimistic on prospects, foreigners say the investment trust market has bottomed out, and are bullish ahead of the currently debated deregulation of the industry. If this happens, it will give investors a wider choice of funds with various maturities.

Woolwich has credit rating affirmed

By Simon London

WOOLWICH Building Society, which is in merger talks with the troubled Town & Country Building Society, yesterday had its credit rating affirmed by Standard & Poor's, the US credit rating agency.

S&P said that the merger would have a negative effect on Woolwich's asset quality, but it did not expect this to lead to a review of the building society's A-1 credit rating.

● Moody's Investors Service said that it will not downgrade the Aa3 credit rating of Leeds Permanent Building Society.

The decision follows a full review of the building society's credit rating, following a deterioration in asset quality.

HK exchange reforms approved

HONG Kong's Executive Council has approved a compromise package of stock exchange reforms, Reuter reports from Hong Kong.

The stock exchange and the Securities and Futures Commission (SFC) agreed on the package last week after months of increasingly acrimonious dispute. The package includes a ban on the exchange paying dividends to members and changes to the exchange council which dilute the power of small brokers.

RAND MINES LIMITED
DIVIDEND DECLARATION

The directors have declared dividend No 104 as a final dividend in respect of the year ended 30 September, 1991 as follows.

Amount (South African currency)	200 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	1991 22 November
Registers of members closed from to (inclusive)	23 November 1 December
Shares trade ex dividend in Johannesburg and London	25 November
Currency conversion date for sterling payments to shareholders paid from London	18 December
Dividend warrants posted	1992 6 January
Payment date of dividend	7 January
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Tuesday, 7 January, 1992 upon presentation of coupon No. 107.

The full conditions of payment of this dividend may be inspected at or obtained from the offices of the share transfer secretaries in Johannesburg or the offices of the United Kingdom registrars and paying agents in Beckenham, Kent.

By order of the board
RAND MINES (MINING & SERVICES) LIMITED
Secretaries
per F D W. PEACHEY
Johannesburg
4 November 1991

REGISTERED OFFICE:
15th Floor, The Corner House
63 Fox Street
Johannesburg 2001
(P. O. Box 62370, Marshalltown 2107)
Republic of South Africa

SECRETARIES IN THE UNITED KINGDOM:
Viaduct Corporate Services Limited
40 Holborn Viaduct
London EC1P 1AJ

UNITED KINGDOM REGISTRARS AND PAYING AGENTS:
Barclays Registrars Limited
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

(Incorporated in the Republic of South Africa)
Registration No 01/00658/06

RAND MINES

NOTICE OF REDEMPTION

Sidek International Finance N.V.

12% Sinking Fund Notes Due 1995

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 21, 1990 between Sidek International Finance N.V., and Citibank, N.A., as Fiscal Agent, all outstanding notes of the above issue (the "Notes") will be redeemed on December 21, 1991 (the "Redemption Date") at the price of 94.0287% of their principal amount, together with interest accrued to the Redemption Date. Payment will be made upon presentation and surrender of the Notes at the below listed paying agency, together with all appurtenant coupons maturing subsequent to the Redemption Date. The amount of any missing, unmatured coupons will be deducted from the sum otherwise due for payment. Interest on the Notes shall cease to accrue on and after the Redemption Date.

Payments will be made at the following paying agency listed below:

Citibank, N.A.
Citibank House
336 Strand
London WC2R 111B, England

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 12 November 1991

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 12 November 1991. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 14 November 1991 and will be in the following maturities:
ECU 300 million for maturity on 12 December 1991
ECU 300 million for maturity on 13 February 1992
ECU 400 million for maturity on 14 May 1992

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 November 1991. Payment for Bills allotted will be due on Thursday, 14 November 1991.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 14 November 1991 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 14 May 1992. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
5 November 1991

RAND MINES LIMITED

Group weathers tough year to post earnings increase

Extracts from the audited consolidated results of Rand Mines Limited and its subsidiaries for the year ended 30 September 1991.

	1991 Rm	1990 Rm	Change %
Turnover	**1 775.8**	1 693.8	+5
Profit before taxation	**322.7**	322.6	–
Profit attributable to shareholders	**250.3**	223.1	+12
Extraordinary items attributable to ordinary shareholders not included above - net amounts written off and provided in respect of subsidiaries and investments	**(735.1)**	(73.0)	
Earnings per share (cents)	**1 679**	1 569	+7
Dividends per share (cents)	**300**	560	–46
Interim	**100**	120	–17
Final	**200**	440	–55
Dividend cover (times)	**5.6**	2.8	
	Rm	Rm	
CAPITAL EMPLOYED			
Total shareholders' interests	**1 024.4**	1 858.9	
Long-term loans	**832.2**	944.5	
Deferred taxation	**386.2**	442.7	
	2 242.8	3 246.1	
EMPLOYMENT OF CAPITAL			
Total assets	**2 744.0**	3 721.4	
Less: Current liabilities	**501.2**	475.3	
	2 242.8	3 246.1	

SIGNIFICANT DEVELOPMENTS

- Disposals of under-performing and non-core assets, comprising platinum, forestry, chrome and vanadium operations, will enable the Group to embark upon a period of consolidation leading to sound profits in the years ahead.
- Cash proceeds from disposals applied to reducing debt.
- It is expected that total debt from Rand Mines Limited will be eliminated early in the new financial year.
- Group's coal interests merged with Witbank Colliery.

The Dividend Declaration is advertised today in this newspaper

(Incorporated in the Republic of South Africa) Registration No. 01/00658/06.

RAND MINES

INTERNATIONAL CAPITAL MARKETS

RJR Nabisco raises $2bn with sale of Percs

By Sara Webb

RJR NABISCO, the tobacco and food group, is the latest US company to launch an unusual equity instrument which offers investors a high yield in return for limited capital gain.

RJR Nabisco raised $2.025bn last week when it sold 200m Percs – or Preference Equity Redemption Cumulative Stock – at $10.125 per share in an issue lead-managed by Morgan Stanley and Goldman Sachs. The Percs convert into ordinary shares after three years.

It joins a handful of US companies including General Motors, KMart Corporation and Texas Instruments which have issued Percs in recent months. American Express placed a Percs issue privately with the investor Mr Warren Buffett in August. Aon Corporation and Tenneco have both filed to issue Percs in the near future, aiming to raise $119m and $580m respectively and investment bankers expect further companies to follow suit.

Percs are a proprietary product devised by Morgan Stanley, although similar products such as Goldman Sachs' Yes – or Yield Enhanced Securities – have been developed.

So far only US companies have used Percs to raise money from investors, although investment bankers hope some European companies (possibly in Sweden, Spain and the Netherlands) may consider using the instruments in future.

At a time when companies' dividend growth is slowing down and interest rates are falling, investment bankers claim Percs appeal to investors in search of high-yielding securities – for example, high-income funds – rather than those looking for growth stocks.

The yield on RJR Nabisco's Percs is 8.25 per cent compared with zero on the common stock, and in the case of General Motors the yield is 8 per cent on the Percs compared with 3.9 per cent on the common stock.

However, while companies such as RJR Nabisco and General Motors can attract investors with securities which have a much higher yield than that on the common stock, the disadvantage is that the capital gain is capped – in the case of RJR Nabisco at 35 per cent.

The advantage for the company is that Percs generally attract different sorts of investors to those already holding the common stock, and often have less impact on the share price at the time of launch than an ordinary share issue.

INTERNATIONAL EQUITY ISSUES

Spotlight falls on the dinosaurs of the loans market

Sara Webb reports on the once-fashionable Mofs, many of which will mature in the next two years

ACTIVITY in the sluggish syndicated loans market may pick up soon as corporate borrowers decide how to refinance that once-fashionable credit facility – *the Mof, or multi-option facility.*

The boom in Mofs started in 1985 and continued during the decade, with many now due to mature. A few have already been refinanced this year, but as several bankers point out, "an awful lot of Mofs are coming up for renewal" in 1992 and 1993.

The total volume of Mofs which were due to mature in 1991 was $21.94bn (representing 107 issues), while in 1992 $47.6bn (199 issues) fall due.

"Mofs themselves are a piece of financial pre-history, the dinosaurs of the loans market," said Mr David Morley, partner with legal advisers Allen & Overy. *Companies are likely to* replace their Mofs in various ways – using bilateral loans, syndicated loans, club deals, or Mof extensions.

In many cases, they are expected to reduce the total amount being refinanced.

When Mofs took off in 1985, the banks fell over each other *to lend money. A Mof consists* of two parts: a committed portion (or backstop) where a syndicate is committed to lend at an agreed margin over the London interbank offered rate, plus an uncommitted part (called the tender panel) where the banks compete to lend money, usually over the short term.

At the time, banks were competing so strongly for business that companies were able to obtain financing at very low margins – in some cases of only 1/16 - 1/8 of a percentage point (ie 6.25-12.5 basis points) over the London interbank offered rate.

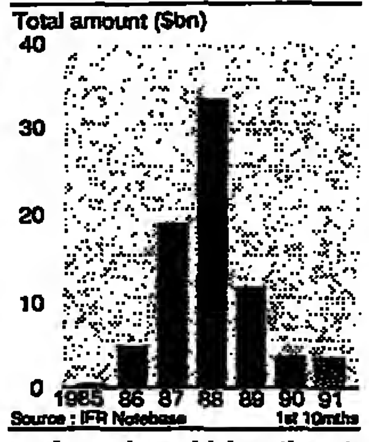
"A lot of treasurers thought *it was a wonderfully cheap* way to get money even if they didn't need it," said one senior UK banker.

"*A standby fee* of 5 basis points for the best credits is peanuts, so while the facility was available, of course they took advantage of it," he added.

However, the climate has changed dramatically. The combination of guidelines on capital adequacy requirements *and worries about* credit-worthiness of borrowers at a time when the Anglo-Saxon economies were experiencing a recession has resulted in much higher pricing on loans.

Today, pricing is at least two to three times higher than it was 18 months ago.

UK volume of MOF's



Faced with higher borrowing costs, many do not wish to refinance the full amount of their maturing Mofs, while those who can afford to hang on without refinancing will probably wait until pricing has fallen again.

Bankers point out that most companies have a limited range of options. They can either:

● Scale back their borrowings. "We expect to see a considerable scaling back in size," said one UK banker. "In many cases, the companies didn't need the money, they just did Mofs in large numbers because they were cheap and it was a bit macho. Companies often borrowed 30 to 70 per cent more than they actually needed, so when the Mofs mature they will be looking to refinance at a lower level."

● *Call on the extension* clauses. Many of the loan documents contained extension clauses allowing the borrower to extend the maturity of the Mof on payment of an extension fee.

The banks are free to consider whether to extend the loan but are under no obligation to do so.

Regalian, the property group, is one example quoted by bankers of a company which has succeeded in extending its Mof. However, banks which are asked to extend the committed part of a Mof generally want to be paid for extending the borrower's maturity profile and want a payment to cover the front-end fee that they would otherwise receive on a new loan. In fact, bankers claim that most of the applications to extend Mofs have been refused.

● Switch to bilaterals. Several companies including British Petroleum and Reckitt & Colman, have chosen to refinance their borrowings using a series of bilateral loans.

Some companies may have been alarmed by the difficulties that Laura Ashley and News Corp faced when forced to renegotiate large syndicated loans with several participating banks.

When BP refinanced its borrowings, it substantially cut the amount and number of banks involved. But using bilaterals can entail different problems: bankers point out it can be harder to raise large amounts of money using bilaterals, and companies need to have a large well-organised treasury department in order to deal with the administration.

● Use small club deals or ordinary syndicated loans.

● Use revolving credits. Some legal advisers warn companies may find themselves in a weaker position if they use a revolving credit than if they use a term loan. In the case of, say, a five-year term loan, even if a company faces financial difficulties after two years the banks will be reluctant to demand immediate repayment. However, with a revolving credit, the banks can demand repayment at the end of the roll-over period.

Reflecting on the heyday of the Mof, bankers tend to be rather critical about the fact that Mofs were underpriced and arranged in some cases for rather "down-market" credits. If Mofs ever make a comeback, perhaps bankers will look more carefully at the creditworthiness and pricing.

Redland refinances short-term borrowings with £150m issue

By Simon London

REDLAND, the UK building materials group, yesterday moved to refinance short-term debt, launching an aggressively-priced £150m international bond issue.

However, the poor performance of the deal underlined that there is little margin for error in the pricing of UK corporate bonds.

Lead-managed by Warburg Securities, the 10-year bonds pay a coupon of 10⅞ per cent and were re-offered to investors at a fixed price of 99.60 for a yield 90 basis points more than UK government bonds.

Other syndicate managers initially said that a yield spread of between 93 and 95 basis points over government bonds was required to attract buyers.

Confidence in the deal waned during the morning session and the bonds widened to a yield spread of 100 basis points by late afternoon. Only at this level did buyers step in.

By the close of trading, *bonds were quoted at 98.55 bid,* against the price of 99.20 at which the underwriters own the paper.

The proceeds of the issue will be used to replace existing short-term debt, including a £60m zero-coupon bond issue which matures in April.

The funding has not been swapped and will be held in the balance sheet as a fixed-rate liability.

The issue follows similar deals by Guinness, Thames Water, Welsh Water and 3i. This suggests that UK companies are now keen to lock into current interest rates rather than wait for further cuts and run the risk of borrowing close to a general election, which is now expected in the spring.

Elsewhere, the European Investment Bank yesterday launched dollar and sterling deals, both handled as "block trades" – wholly underwritten by the lead manager.

Early in the day, the EIB launched a $300m, 10-year deal lead-managed by Swiss Bank Corporation. The paper carries a coupon of 8 per cent and was priced to yield 35 basis points more than US Treasury bonds.

Later it added £200m to an outstanding £300m issue maturing 1994. Lead-managed by Goldman Sachs, the bonds were priced to yield just 8 basis points more than UK government bonds.

Both deals were seen as tightly priced but were generally well received, supported by demand from Italian investors – who can claim coupon payments free of withholding tax on EIB bonds.

For example, the Eurodollar deal traded up from a fixed re-offer price of 100.215 to stand at 100.28 bid by late afternoon, where the yield is 33.5 basis *points over US Treasury bonds.*

Elsewhere, Toyota Motor Credit came with a $250m issue of five-year bonds, lead-managed by Credit Suisse First Boston.

The deal pays a coupon of 7¼ per cent and was re-offered to investors at a fixed price of 99.965, where the yield spread is 40 basis points over US Treasury bonds.

The deal drew comparisons with last week's $200m five-year issue for Nestle, also lead-managed by CSFB.

Both companies are popular with retail investors, allowing them to price tighter than equally credit-worthy but less well-known names.

Toyota yesterday attracted both retail and institutional buyers. Once freed to trade, the deal held steady at around the fixed re-offer price.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
EIB(a)†	300	8	100.215	2001	-	SBC
Toyota Motor Credit Corp(a)†	250	7¼	101.59	1996	1⅞/1.725	CSFB
STERLING						
EIB(b)†	200	9½	98.70	1994	-	Goldman Sachs
Redland Sterling Fding.(a)†	125	10⅞	101.20	2001	2/1.6	SG Warburg Secs.
FRENCH FRANCS						
Carrefour(c)†	500	zero	100	1995	-	Societe Generale
LIRE						
American Int.Group(a)†	200bn	11.70	101.80	2001	2/1.8	Bca.Nazionale d'Lavoro
SWISS FRANCS						
Inter-American Devt.Bk(a)†	150	7¼	100	2001	-	SBC
Sammi Steel Co.(d)★★§	70	4	100	1996	-	*Credit Suisse*
Wiener Holding(a)†	50	7¼	101	2001	-	Wirschafts & Privatbank
D-MARKS						
Chuo Woollen Mills(a)♦	30	5⅛	100	1995	2¼/1½	Dresdner Bank
AUSTRIAN SCHILLINGS						
Petroleos Mexicanos(a)†	500	10¾	100¼	2001	2¼/1	Creditanstalt-Bkverein.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing £300m issue. Non-callable. c) Redemption linked to performance of company's shares over life of bond. Non-callable. d) Put option 31/12/94 at 113¾% to yield 8.062%.

ACT to revamp qualifications

By Tracy Corrigan

THE Association of Corporate Treasurers is revamping its qualifications in a drive to enhance the professional standards of corporate treasurers.

In an editorial entitled "A time for professionalism" in this month's issue of the Treasurer, the ACT advances the case for a broader-based training of treasurers: "It seems to us precisely because some companies have treated their treasurers as backroom experts, insulated from the real business of the company, and thus from an understanding of the effect of treasury transactions on the balance sheet, that the well-ventilated treasury problems of the last months have occurred."

The ACT diploma is divided into two stages. Part one will include accounting, law and tax, while part two will focus on strategic, legal and ethical issues.

The diploma will ensure treasurers have a full understanding of derivative products and of the effect of transactions on the balance sheet, areas where there have been well-publicised failings in the past.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday November 5 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Nov 4 Index No.	Fri Nov 1 Index No.	Thu Oct 31 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	814.25	+0.4	9.35	5.99	13.37	31.79	811.09	816.65	816.03	689.68
2 Building Materials (23)	985.57	-1.3	7.51	6.32	17.54	41.35	998.65	1009.10	1001.96	940.42
3 Contracting, Construction (30)	1069.54	-0.4	7.59	6.87	18.65	49.81	1073.55	1077.94	1071.64	1135.18
4 Electricals (11)	2481.40	+0.2	8.81	5.89	14.38	84.23	2476.09	2486.08	2488.50	1797.64
5 Electronics (25)	1713.76	+0.3	10.87	5.56	11.69	51.73	1709.43	1719.65	1726.78	1563.57
6 Engineering-Aerospace (6)	357.06	+1.5	15.69	7.27	7.69	18.52	351.85	353.54	354.91	398.50
7 Engineering-General (43)	489.64	+0.3	10.00	5.17	12.30	16.38	488.38	490.08	490.00	346.81
8 Metals and Metal Forming (9)	425.77	+1.1	15.38	8.32	7.90	18.43	421.10	428.47	429.70	398.11
9 Motors (12)	336.71	+1.1	7.69	7.15	17.26	17.56	332.91	336.10	335.35	266.60
10 Other Industrial Materials (20)	1588.83	+1.4	7.95	5.13	14.96	57.59	1567.54	1576.05	1577.05	1123.97
21 CONSUMER GROUP (190)	1576.44	+0.7	7.25	3.54	17.08	34.04	1565.50	1576.39	1578.30	1187.86
22 Brewers and Distillers (22)	1929.55	+0.5	7.99	3.49	15.24	38.33	1919.95	1931.99	1937.85	1479.00
25 Food Manufacturing (19)	1195.18	+0.6	9.48	4.18	13.05	29.98	1188.54	1192.31	1192.12	992.84
26 Food Retailing (17)	2424.33	+0.7	9.07	3.35	14.40	52.15	2406.42	2414.22	2377.20	2296.82
27 Health and Household (23)	3996.97	+1.5	5.05	2.37	22.71	61.87	3939.59	3991.37	4003.20	2428.46
29 Hotels and Leisure (24)	1329.97	+0.4	7.67	5.29	16.12	45.61	1324.05	1329.05	1337.90	1193.03
30 Media (26)	1510.80	-0.9	6.99	4.71	18.70	44.40	1524.24	1538.65	1534.20	0.00
31 Packaging, Paper & Printing (17)	761.32	-0.3	7.38	4.33	16.44	23.54	763.57	763.87	763.93	476.58
34 Stores (32)	1036.91	+0.9	7.26	3.59	18.04	20.62	1025.21	1029.26	1037.28	804.03
35 Textiles (10)	647.94	-0.2	7.19	4.79	17.73	15.49	649.36	652.30	651.43	410.31
40 OTHER GROUPS (110)	1233.71	+0.1	9.82	5.29	12.81	36.02	1232.59	1242.82	1260.38	955.26
41 Business Services (12)	1391.69	+0.4	7.67	4.69	16.31	39.29	1386.00	1396.80	1398.82	0.00
42 Chemicals (21)	1416.19	+0.2	7.12	5.11	17.34	48.39	1413.34	1417.68	1430.75	1011.97
43 Conglomerates (11)	1467.97	+0.1	9.84	7.14	12.53	38.87	1466.38	1475.78	1488.17	1253.37
44 Transport (13)	2298.93	+0.4	7.44	4.91	16.53	64.02	2289.82	2304.73	2321.08	1811.72
45 Electricity (16)	1207.05	+0.4	14.55	5.39	8.96	27.53	1201.66	1204.99	1218.02	0.00
46 Telephone Networks (4)	1456.76	-0.3	10.60	4.28	12.35	28.34	1460.64	1489.56	1538.91	1056.95
47 Water (10)	2587.70	+0.2	17.10	6.27	6.47	118.37	2583.31	2329.60	2386.67	1941.85
48 Miscellaneous (23)	1803.70	-0.1	5.42	5.46	25.54	70.17	1804.80	1819.90	1820.14	1519.53
49 INDUSTRIAL GROUP (481)	1278.32	+0.4	8.45	4.55	14.76	34.81	1272.62	1281.99	1288.33	994.16
51 Oil & Gas (19)	2392.91	+1.3	10.93	5.81	12.09	93.60	2362.21	2384.53	2385.60	2309.03
59 500 SHARE INDEX (500)	1374.21	+0.6	8.76	4.70	14.37	39.49	1366.68	1377.08	1383.12	1101.65
61 FINANCIAL GROUP (90)	766.78	-0.5	-	6.10	-	32.04	770.47	773.32	780.44	677.33
62 Banks (9)	888.49	-1.5	4.69	6.00	40.32	37.46	901.61	902.53	917.10	713.61
65 Insurance (Life) (7)	1451.45	+1.0	-	5.83	-	63.68	1437.30	1439.68	1455.99	1284.37
66 Insurance (Composite) (6)	568.33	+0.2	-	7.73	-	22.94	567.29	575.23	582.85	574.42
67 Insurance (Brokers) (9)	1113.46	-0.3	7.38	6.09	17.74	43.14	1116.63	1127.89	1137.32	880.99
68 Merchant Banks (7)	484.25	-0.3	-	4.36	-	13.08	485.63	485.63	484.29	346.69
69 Property (35)	897.41	+0.3	5.89	5.16	24.28	24.74	894.81	895.57	887.45	925.07
70 Other Financial (17)	251.94	-0.7	11.35	7.20	11.07	11.08	253.77	255.62	256.71	243.05
71 Investment Trusts (70)	1213.56	-	-	3.57	-	28.89	1214.07	1221.77	1232.12	1004.18
99 ALL-SHARE INDEX (660)	1228.64	+0.4	-	4.85	-	37.18	1223.67	1232.34	1238.63	997.79

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 4	Nov 1	Oct 31	Oct 30	Oct 29	Year ago
FT-SE 100 SHARE INDEX‡	2540.9	+13.1	2546.3	2530.5	2527.8	2549.5	2566.0	2577.3	2553.3	2069.8

FIXED INTEREST

PRICE INDICES	Tue Nov 5	Day's change %	Mon Nov 4	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	121.58	+0.08	121.48	1.56	10.75
2 5-15 years (28)	134.04	+0.06	133.96	1.80	11.84
3 Over 15 years (8)	142.12	-	143.03	1.80	11.50
4 Irredeemables (6)	155.49	+0.16	155.24	0.22	13.45
5 All stocks (69)	132.37	+0.06	132.36	1.73	11.60
Index-Linked					
6 Up to 5 years (2)	166.44	-	166.43	0.36	3.16
7 Over 5 years (9)	149.18	+0.04	149.12	0.81	3.83
8 All stocks (11)	150.43	+0.04	150.37	0.74	3.81
9 Debs & Loans (66)	112.96	+0.10	112.84	1.97	9.26

AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 5	Mon Nov 4	Year ago (approx.)
British Government				
1 Low	5 years	8.65	8.67	10.41
2 Coupons	15 years	9.55	9.55	10.77
3 (0%-7¾%)	20 years	9.56	9.56	10.78
4 Medium	5 years	9.77	9.79	11.35
5 Coupons	15 years	9.69	9.69	11.22
6 (8%-10¾%)	20 years	9.66	9.65	11.17
7 High	5 years	9.99	10.00	11.46
8 Coupons	15 years	9.78	9.78	11.43
9 (11%-)	20 years	9.72	9.71	11.42
10 Irredeemables		9.74	9.75	10.95
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.86	3.85	3.81
12 Inflation rate 5%	Over 5 yrs.	4.24	4.24	4.30
13 Inflation rate 10%	Up to 5 yrs.	3.25	3.24	2.61
14 Inflation rate 10%	Over 5 yrs.	4.07	4.07	4.13
15 Debs &	5 years	11.43	11.44	13.36
16 Loans	15 years	11.22	11.23	12.87
17	25 years	11.03	11.03	12.50

Opening index 2532.3; 9 am 2537.0; 10 am 2533.7; 11 am 2540.9; Noon 2541.7; 1 pm 2540.5; 2 pm 2546.2; 2.30 pm 2545.1; 3 pm 2544.1; 3.30 pm 2539.4; 4 pm 2539.4 (a) 1.53pm (b) 9.41am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Bracken House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: ADDITION: Great Portland Estates 10¼% Debenture 2021. DELETIONS: ELF UK 12¼% Unsecured Loan 1991, VSEL Consortium 11% Unsecured Loan 1996.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	8	30
Corporations, Dominion and Foreign Bonds	0	6	14
Industrials	279	244	962
Financial and Properties	87	126	546
Oils	25	10	55
Plantations	0	0	10
Mines	38	24	61
Others	38	60	50
Totals	511	478	1,758

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov. 4
● Last Dealings Nov. 15
● Last Declarations Feb. 6
● For settlement Feb. 17

For rate indications see end of London Share Service

Calls in ASDA, Automated Security, Burton, Natl. Home Loans, Persimmon, Pittencrieff and Telemetrix. Puts in French Connection and Maxwell Comm. Puts and calls in Maxwell Comm.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Allid Lyons (*589)	500	93½	108	-	3	6½	-
	550	52½	71½	-	11½	17	-
	600	24	43	53	32½	39½	46½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
BAA (*432)	420	17½	30½	41½	3½	14½	17½
	460	2½	12½	22	28½	36½	40½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Hillsdown (*200)	200	-	-	18½	-	-	14½
	216	2½	8	-	18½	19½	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Business as usual in spite of facing the spotlight's glare

Andrew Baxter on how Hawker's defence against BTR has brought the heads of its core businesses to the City's notice

THE UNVEILING by Hawker Siddeley of the latest plank in its defence against the BTR bid puts the spotlight on three men who will have a key role in the engineering company's strategic restructuring over the next few years – if the City gives them a chance, that is.

If – and at present it looks like a big if – Hawker successfully fends off the bid, Mr Philip Howard, Mr Chris Burns and Mr John Richardson will be responsible for producing the goods at the three divisions which it plans to keep, electric motors, aerospace and industrial batteries respectively.

It is nearly a month since Hawker was forced to declare its hand and announce which divisions it planned to keep and develop further, and which would be sold. But for the three divisional heads, the announcement merely brought out into the open decisions which had been agreed internally at the end of last year.

BTR made great play of Hawker's disposals announcement, accusing its target of panicking into discarding good businesses, but Hawker's acquisition record over the past two years since Mr Alan Watkins became managing director offered a strong clue to followers of the company on where he saw its future.

As Hawker repeated yesterday, about £185m of the £220m spent on acquisitions since Mr Watkins joined the company in 1989 has been spent on what are now known to be its three core businesses, and of the £185m all but £25m was spent on four sizeable purchases.

Consequently, at one level the bid has not changed much for the three divisional heads. The pace of change within the aerospace division, which is mainly aero-engine repair and overhaul, has not altered, says Mr Burns. The enthusiasm at all levels of the division for new manufacturing practices is the same as before, and the battle to win new contracts continues.

In electric motors, says Mr Howard, "we've kept our feet fairly heavily on the accelerator" with the aim of keeping customers and helping solve their problems, an effort that is particularly important in difficult market conditions and is unaffected by BTR's advances.

For the batteries division, says Mr Richardson, the real uncertainty was cleared up months ago once it became clear that its future within Hawker was assured.

There was real relief, and a big improvement in morale, when Hawker backed its decision early this year by authorising the £43.5m purchase of Chloride's industrial battery division.

Trevor Humphries

Philip Howard, left, John Richardson and Chris Burns: will be watched closely

At another level, though, life will be very different for the three divisional heads if the bid defence succeeds. The City will be watching closely to see how effectively they can convert the strategic analysis into success at the operational level.

The three have had very different careers. Mr Burns, 48, an engineer with a broad background in engineering and manufacturing, is the new boy at Hawker, having joined the company just over a year ago from Lucas Aerospace, where he worked for six years with Mr Watkins.

Mr Howard, 52, began his working life as an engineering apprentice 33 years ago, and joined Hawker via acquisition in 1972. He has been a senior manager in electric motors since the early 1980s, and became chairman of Brook Crompton,the principal unit in what is now one of Hawker's seven divisions, in 1986.

Mr Richardson, 51, joined Hawker in 1986 with a background in industrial marketing and sales. That might please the City, which has often chided Hawker for being too engineering-driven in the past, but Mr Richardson stresses that, while it may be useful for Hawker's divisional chiefs to come from different backgrounds, they need a grasp of all aspects of management, including engineering.

The recent record gives all three grounds for claiming they can handle the many different demands of managing the divisions, whose creation in 1989 was a crucial element in Mr Watkins' plan to bring some coherence to Hawker's sprawling collection of businesses.

Mr Howard, perhaps, has the hardest task to convince outsiders of his achievements, simply because he has been at Hawker longest. However, he says, efforts to reduce unit costs in electric motors, backed by heavy investment, began as long ago as the early 1980s. And throughout the decade, he says, the business has shown the ability to make successful acquisitions.

In aerospace, Mr Burns has been implementing strategic planning work which was well established when he arrived at Hawker. He points to substantial successes in improving operating performance, and major improvements in turnaround times in the aero-engine repair business.

The batteries division is probably the furthest advanced of the three in terms of establishing a regional presence, and, says Mr Richardson, is in a good position to achieve market leadership in Europe.

In deciding their attitude to the bid, City institutions will be assessing the abilities of the three men to continue the pace of organic change within their divisions as well as make the acquisitions to continue their progress towards regional – or even global – businesses, as demanded by the strategic review.

The availability of funding for big acquisitions would depend in large part on the success of disposals elsewhere over the next three years. But all three men emphasise that there are significant opportunities, either because their industries are still fragmented or because, as in electric motors, there are a number of companies "under stress", as Mr Howard puts it.

On the organic reshaping of the businesses, the three men will clearly be seen to have a crucial role in maintaining the pace of modernisation and integration within their divisions, but they modestly insist that that the success of this programme has depended as much on clear support from Hawker centrally and from enthusiasm in the workforce.

"It's a bottom up, as well as a top down initiative, and the trick was to bring it together to make it into a workable plan," says Mr Richardson.

The backing, from above and below, gives all three reason to view the future with confidence, assuming the bid is defeated and the restructuring goes ahead. And none of them seems worried by the higher profile that would give them in the City.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
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NGC Settlements Limited

Yorkshire TV warns against White Rose plan

By Gary Mead, Marketing Correspondent

SIR DEREK Palmar, chairman of Yorkshire TV, the UK commercial television group, has appealed to shareholders to resist "a possible attempt" by the rival White Rose TV to persuade them to vote against accepting Yorkshire's new licence to broadcast.

Yorkshire won the franchise in October – with a bid of £37.7m – against competing bids of £30.1m from Viking TV (which failed to pass the quality threshold) and £17.4m from White Rose.

White Rose announced at the start of this week that it plans to offer Yorkshire TV shareholders a free 25 per cent stake in the company in return for turning down Yorkshire's licence.

The White Rose plan envisages the Independent Television Commission (ITC), the licensing authority, offering it the franchise if Yorkshire shareholders turn it down.

The scheme hinges on an apparent loophole in the franchising system.

Yorkshire's bid was some £20m a year more than White Rose's, and that sum goes directly into the Treasury.

Yorkshire TV shareholders might, in principle at least, be tempted to take their free stake in White Rose if they had the prospect of that government-earmarked figure being ploughed into dividends rather than turned into government revenue.

White Rose directors argue shareholders would retain a valuable asset – an independent production company – and 25 per cent of the profitable holder of the Yorkshire franchise.

However, Sir Derek said that Yorkshire had taken legal advice which indicated that, if the company declined the new licence, the ITC would be able to re-advertise it rather than simply award it to White Rose.

He also reminded shareholders that retailers WH Smith and Pearson, publishers of the Financial Times, which together hold 39.5 per cent of Yorkshire, have already formally recommended accepting the new licence.

Yorkshire TV shareholders are due to consider the terms of the new licence at an extraordinary general meeting on November 20.

Exceptional profit boosts Aitken Hume to £2.57m

By David Barchard

PRE-TAX PROFITS at Aitken Hume International, the financial services group, jumped to £2.57m in the six months to September 30 1991.

In the same period last year pre-tax profits were £1.5m. This year's figure was boosted by an exceptional item of £510,000 from a surplus on the group's UK pension scheme, but its pre-tax profits would have risen by 37 per cent even without it.

Banking in the UK and Channel Islands made a profit of £250,000 down from £498,000 last time, but offshore financial services in the Channel Islands rose from £906,000 to £1.03m and fund management in the US made £1.06m, up from £507,000.

Overhead costs fell from £589,000 a year ago to £429,000. Earnings per share for the six months were 3.25p, up from 1.86p in September 1990. The interim dividend of 0.5p was unchanged.

The group said yesterday that it had still not reached agreement on a possible outstanding payment of £5.7m claimed by the former owners of Bachmann, a Guernsey-based financial services operation bought by Aitken Hume last year.

The dispute caused Coopers & Lybrand Deloitte to qualify the 1990 accounts of Aitken Hume. The group said yesterday that an announcement would be made when the amount had been determined, but gave no indication of when this would be.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Ocean Wilsons, Sainsbury (J).

Finals- Bellway, Bibby (J), Blenheim.

FUTURE DATES

Interims-

BET	Nov. 18
Barclays	Feb. 26
Bulmer (HP)	Dec. 11
Channing	Jun. 17
Dawson Intl.	Nov. 25
Dunhill	Nov. 18
EMAP	Nov. 18
English National Inv.	Oct. 21
Great Portland Estates	Nov. 12
Hadleigh Inds.	Jan. 8
Locker (Thomas)	Nov. 21
Southern Electric	Dec. 17
Staveley Inds.	Nov. 14
Value & Income Trust	Oct. 15

Finals-

Apollo Metals	Nov. 26
Archer (AJ)	Nov. 22
BAT Inds.	Mar. 18
Barclays	Aug. 6
British Telecom	May 21
Burton	Nov. 14
Domino Printing Sciences	Jan. 30
ICI	Feb. 27
LPA Inds.	Jan. 16
Lloyds Bank	Feb. 21
Lowland Inv.	Oct. 19
Melville Street Invs.	Jan. 16
Scottish American Inv.	Feb. 12
Sedgwick	Feb. 28
TR High Income Trust	Feb. 24
Value & Income Trust	May 15
Young (H)	Nov. 26

UK COMPANY NEWS

Profits fall 61% to £6m and dividend cut by two thirds

TIP Europe seeks £29m for rebirth

By Jane Fuller

TIP EUROPE, the trailer rental group which breached a loan agreement last autumn, yesterday announced a £29.2m rights issue and a more stable banking arrangement.

News of the five-for-six issue and the £113m "club banking" facility came with figures for the year to July 31, which showed a 61 per cent fall in pre-tax profit from £15.5m to £6.01m.

The total dividend for the year is being cut by nearly two thirds from 5.3p to 1.82p a recommended final dividend of 1.26p.

Mr Jim Davis, who replaced Mr Jim Cleary as chairman a year ago, said yesterday marked the company's rebirth. Four main hurdles have been cleared: the banking facilities, the rights issue, reorganisation of a business that had "grown like Topsy" and management changes.

The issue, priced at 40p compared with yesterday's opening price of 64p, has been partly underwritten by a subsidiary of HAL Trust, a Dutch investment company. Mr Davis said HAL was expected to end up with a stake in TIP of between 17 and 22 per cent.

Tiphook, TIP's rival, has a 9.9 per cent stake and is considering taking up its rights.

Mr David Callear, whose promotion from finance director to chief executive was also announced yesterday, said the £29.2m proceeds would reduce gearing from 353 per cent to 168 per cent, a comfortable level for the sector. The net debt figure would fall from £150m to £120m.

Bank borrowings were being switched from a multi-option financing facility, which had involved up to 23 banks, plus nine separate arrangements, to a single facility offered by a club of eight "relationship" banks. Although the annual interest rate would rise from 10.4 per cent to 11 per cent, the interest cover stipulation would be relaxed.

The changes would allow TIP to take advantage of investment opportunities on the continent.

Over the past 18 months, capital spending had been hamstrung by banking conditions, Mr Callear said. Only £3.2m was spent last year, compared with £210m in the two years to July 1990.

Turnover advanced to £103m (£92.5m); operating profit fell to £23.8m (£29.3m) and interest costs rose to £16.1m (£13.8m). Exceptional costs, including cutting the loss-making UK fleet, amounted to £1.68m. Earnings per share fell to 5.1p (14.8p).

The share price closed down 8p at 56p.

David Callear: cutting gearing to 168%

Torday gets £18.3m tag on new bid by Dowding

By Peggy Hollinger

THE BATTLE for Torday and Carlisle grew more heated yesterday as predator Dowding & Mills raised its paper offer and added a cash sweetener, valuing the niche engineer at a maximum of £18.3m based on yesterday's close.

Mr Paul Torday, chairman of the target company, rejected the new offer saying the bid had gone from being "ridiculously cheap to just cheap".

However, institutional shareholders – many of whom bought their Torday stakes when it went public at 155p in 1988 – were last night reviewing the revised offer. Torday shares, which were 63½p on the eve of the bid in September, rose 1p to close at 110p.

Dowding, which said the revised bid would be final, is offering nine shares for every five Torday – valuing the stock at just over 115p at last night's close. A partial cash alternative of 108p will be provided for up to 40 per cent of the new issue. The original bid was an all-paper five-for-seven offer.

Analysts said the new terms went some way to meeting criticisms of the initial bid. "The raised offer is probably falling just on the right side of the line," said Mr Vinay Bedi, institutional director of Wise Speke brokers, although he added that the cash element was still marginal.

One analyst said Torday had little option other than to find a white knight. However, Mr Torday said that although the group had received several approaches, "we are not at the point where we can talk about a white knight".

Some institutions are believed to be slightly unhappy about the revised offer, yet Torday's defence has failed to impress them. Torday last week said it had turned round its loss-making signs division and forecast a pre-tax loss of £110,000 for the year.

Mr Jim Cole, Dowding's chief executive, claimed the revised offer was "very fair". He added that if the bid was successful, Dowding's balance sheet would remain strong with gearing rising from just under 13 per cent to about 21 per cent.

Shay McKeown: simple and boring rules achieve maintained results

Powerscreen beats recession with 13% advance to £10.2m

By Jane Fuller

POWERSCREEN International, the Northern Ireland-based maker of crushing and screening equipment, continued to resist the effects of recession in the UK and US with a 13 per cent increase in interim pre-tax profit.

In the six months to September 30, pre-tax profit rose from £9m to £10.2m on sales up 20 per cent to £41.9m (£34.8m). Interest charges were negligible.

The figures were helped by an £800,000 profit contribution from Guzzler, a US company making power vacuum equipment. The paper issued for its £9.2m acquisition last autumn restricted the growth in earnings per share to 0.1p, giving 8.1p for the half.

Mr Shay McKeown, chief executive, said every subsidiary had at least maintained turnover and profit. This had been achieved by applying what he described as a few "simple and boring" rules.

These included low-cost production helped by a high degree of standardisation, "selling as opposed to marketing", avoiding overheads and a dislike of debt.

At Powerscreen Distribution, unit sales fell, but this was more than offset by an increase in the more profitable sales of larger machines. The biggest growth had come in continental Europe, particularly Germany, and markets had been penetrated in the Soviet Union and the Far East.

Brown Lenox had seen similar geographic gains, while in the UK a new piece of mobile plant for quarrying had sold well.

Royer, a US company, had benefited from the increased emphasis on conserving the environment, which had stimulated landfill and recycling activity.

Two recent UK acquisitions, Matbro and Finlay Engineering had not contributed to first-half profit.

The geographic split of turnover was: US 40 per cent, continental Europe 28 per cent, UK 26 per cent, Australia 1 per cent, and rest of the world 5 per cent. While the UK and the US were helped by acquisitions, continental Europe had shown about 15 per cent organic growth.

The interim dividend goes up to 1.7p (1.6p).

• COMMENT

Powerscreen again proved the adaptability of its machines and its sales effort as it drew on a wide range of applications, increased its geographic penetration and built up its municipal customer base.

It also showed its cash generating powers by ending the half with nearly £3m in hand, not far short of the year-end in spite of spending on acquisitions. Full-year pre-tax profit is expected to increase to about £19.4m (£17m), giving a prospective multiple of about 12.7 on yesterday's close of 221p. This does not look demanding bearing in mind that it falls to less than 11 next year. With margins already remarkably high, the scope for improvement seems to lie more in acquisitions, which it continues to make, and in further volume growth both overseas and, eventually, in construction. It begs the question: where is the effective competition? But with price increases sticking and new products creating new price points, the "simple and boring" formula looks safe for a while yet.

Henderson Administration edges ahead

By Norma Cohen, Investments Correspondent

Henderson Administration, the fund management group, announced a modest rise in pre-tax profits from £8.72m to £8.75m for the six months to September 30.

Earnings per share rose from 26.44p to 27.34p and the interim dividend is lifted to 12.5p (10p).

There was a net outflow of funds under management of about 2 per cent, despite a rise in UK equities prices of about 7 per cent. Funds under management fell from £7.87bn at the March 31 year-end to £7.7bn (£6.83bn) by September 30.

In particular, over the six months pension funds under management fell to £4.29bn (£4.52bn) and unit trust funds to £1.49bn against £1.53bn at March 31.

However, Mr David Backhouse, Henderson's chairman, said that in recent months its client losses had diminished as the company's relative investment performance had improved. "In some areas of our business we are experiencing an encouraging net inflow of funds," he said.

German Smaller net asset value rises

Net asset value at German Smaller Investment Trust continued its recent rise with a figure of 233.5p at September 30 compared with 228.9p at March 31 and 217.9p a year earlier.

Net revenue for the six months to the end of September was £352,000, against £278,000. Earnings per share came out at 1.96p (1.55p).

Union Square tumbles into £10.5m loss and calls for £6.4m

By Vanessa Houlder, Property Correspondent

UNION SQUARE, the USM-quoted property company, yesterday announced a £6.4m rights issue and a pre-tax loss for the year to March 31 of £10.5m compared with a £1.6m profit.

The proceeds of the rights issue will be used to pay back a £6.3m loan from Thompson Investments, a company owned by the family of Mr David Thompson, Union's chairman. Mr Thompson became one of the wealthiest UK entrepreneurs in the 1980s, after co-founding Hillsdown Holdings, the food company.

The 2-for-1 rights issue is underwritten by Thompson Investments. In addition, Thompson Investments has conditionally agreed to buy the 17m shares currently held by Mr and Mrs Thompson, which amount to 26.4 per cent of the company.

As a result of these deals, Thompson Investments could hold 75.5 per cent of the company after the rights issue. However, the Takeover Panel has agreed to waive any obligation on Thompson Investments to make a general offer for the company, as a result of its increased holding.

Union Square blamed its problems on the depressed state of the property market and the inadequacy of its capital base. It has been forced to make disposals as its rental income did not cover the holding costs of the properties.

The company said that its poor financial position was exacerbated by joint ventures, in which its partners "have not fulfilled their obligations". It has made a full provision for the possible losses of the properties involved and the pre-tax result was after exceptional write-downs of £5.22m.

An extraordinary loss of £3.78m stemmed from the termination of the group's development programme.

The group now holds two main properties, the Melbourn Science and Business Park near Cambridge and Gresham House in Brighton and two residential estate agencies, Glentree Estates and Goldschmidt & Howland.

Mr David Thompson plans to resign after the forthcoming extraordinary meeting. Mr Richard Thompson, his son, will take over as chairman.

The rights issue price of 5p per share is lower than the nominal value of 10p. To avoid breaching regulations, a new class of ordinary shares with lower nominal value is being created and each ordinary share will be subdivided into a new ordinary share of 1p and a deferred share of 9p.

Turnover amounted to £12.8m (£14.7m). Losses per share were 15.6p (1.4p earnings). The share price was unchanged at 10p.

Cowie makes £38m leasing buy

By John Griffiths

ROYAL BANK of Scotland is to sell its loss-making vehicle contract hire business to motor group T Cowie for £38m.

London-based Royscot Drive, which operates a fleet of 5,700 vehicles, is to be incorporated into Cowie Interleasing, the vehicle finance and leasing offshoot, increasing its fleet to more than 60,000 vehicles. Cowie already claims to be the UK's largest leasing operator.

The acquisition, for cash, comes against the background of a deep slump in new car sales and industry predictions that a number of contract hire companies will not survive, mainly as a result of over-optimism in forecasting vehicle residual values.

Royscot, which has an annual turnover of £36m, lost £3m in its year to the end of September 1990, the last for which audited accounts were prepared.

Cowie's leasing operations made £4.9m pre-tax in first half of this year, a rise of more than 50 per cent, on turnover of £99m.

Royscot's attraction is its 800 corporate customers, with most of which it has had no previous contact.

A key factor in the profitability of Cowie's leasing operations is its ability to sell on ex-lease vehicles directly through its own retail motor dealer networks without going through 'middle men' such as the auction houses.

Lloyds Chemists pays £5.75m for Coventry retailer

By Peggy Hollinger

Lloyds Chemists, which has been referred to the Monopolies and Mergers Commission over its bid for pharmaceuticals retailer Macarthy, is to pay £5.75m for Greens, the Coventry-based drugs retailer.

The deal will add 18 chemists stores to Lloyds' 1,036 outlets. It is the third acquisition of this size since January. Mr Allen Lloyd, chairman and chief executive of LLoyds, said the purchase "fills a little black hole in the Midlands" where Lloyds was under-represented.

The stores will be paid for with £5.46m in cash and a nominal issue of 84,500 shares. Mr Lloyd said the issue was too small to be dilutive.

Referring to the news on Tuesday that Medicopharma, the Dutch pharmaceuticals wholesaler, had closed its UK operations, Mr Lloyd said there was no mechanism to extract his company from the MMC referral, which was partly prompted by a desire to protect Medicopharma's position as a new entrant to the UK market.

"We cannot rebid for Macarthy until we are cleared by the MMC, and that seems very unfair," he said.

Wace strengthens its links with Bowater

Bowater's European printing operations have reached a preferred-supplier agreement with Wace which is expected to lead to substantially increased sales for the pre-press company.

Bowater will recognise Wace as first choice of supplier for a range of colour separation, digital artwork, reproduction and pre-press services. Bowater spends £500,000 a year on Wace's services but it is believed this could increase to £4m over the next two years.

Wace's shares climbed 3p to 254p on the news.

Ulster TV falls 90% to £0.13m

By Michiyo Nakamoto

ULSTER TELEVISION, which was awarded the Channel 3 licence for Northern Ireland, suffered an 90 per cent decline in interim pre-tax profits in the face of a fall in advertising revenue and investment income.

For the six months to June 30 profits declined to £134,000, against £1.32m. Turnover was down to £11.4m (£12.3m). However, Mr John Rooney, financial controller, said: "We're probably not suffering as much as the others."

Net advertising revenue for the group was down by 7 per cent to £10.8m (£11.6m) compared with an overall decline in the industry of 9 per cent.

The results were supported by investment income of £382,000 (£544,000) which offset a £248,000 loss (£776,000 profit) in the television operations. Ulster has net cash, including short-term deposits, of £5.3m and no borrowings.

Despite the sharp decline in profits, the interim dividend is increased to 3.25p (3p). Earnings per share dropped sharply to 0.76p (7.65p).

The group had warned in June of a moderate loss in the first half and the shares closed up 2p at 148p.

Sales of programmes such as Ghost Train, the children's programme and Highway, a religious programme, which comprise a relatively modest part of the business, were up to £285,00 (£245,000).

Operating costs increased to £11.4m (£11.1m) but Mr Rooney said that this was an exemplary performance when compared with the level of inflation.

Unlike other television companies which rushed to cut costs prior to the license awards, Ulster did not make any particular efforts to do so as it was always looking at ways to reduce costs throughout the year, Mr Rooney said.

It was awarded the Channel 3 license, even though its cash bid of £1.03m was lower than that of its competitors, as it was the only bidder to pass the quality requirement.

The group said it there were modest increases in advertising revenue in both September and October, and was guardedly optimistic about an improvement in its performance in the second half.

42% advance at Bridport-Gundry

Bridport-Gundry made considerable progress in the year ended July 31 1991, highlights being a 42 per cent advance in pre-tax profits, a reduction in borrowings to the lowest in five years, and transformation of the Canadian business.

Earnings per share rose to 6.06p (3.41p) and the final dividend is 2.6p for a total of 4.1p (3.8p).

Turnover was marginally higher at £32.4m (£31.5m) and profit worked through to £818,000 (£578,000).

Mr Pat Darley, chairman, said figures included 10 months of the disposed James Pearsall's Thread division which had a poor year; aviation products did well making significant camouflage and decoy system deliveries for the Gulf conflict.

Pearsalls Sutures finished strongly and started deliveries of suture materials to American Cyanamid of New Jersey; leisure products improved their performance.

Mr Darley said, after the withdrawal from fishing business in Canada, the remaining activity was refocused on industrial products and had a highly profitable first year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aitken Hume	int	0.6†	Jan 27	0.5	-	1
Bridport-Gundry	fin	2.6	Jan 31	1.9	4.1	3.8
Henderson Admin	int	12.5	Jan 8	10	-	37.5
Powerscreen	int	1.7	Jan 10	1.6	-	5.5
TIP Europe	fin	1.26	Dec 18	3.6	1.82	5.3
Ulster TV	int	3.25	Dec 16	3	-	6.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

COMMODITIES AND AGRICULTURE

Continued sharp fall forecast in Soviet oil output

By Deborah Hargreaves

THE DRAMATIC decline in Soviet oil production is set to continue with output likely to show a sharp fall of 9 per cent to 9.7m barrels a day by the second quarter next year, says the International Energy Agency, the West's oil watchdog, in its latest market report.

The report is likely to bolster oil prices, which have remained firm on the back of traders' fears over disruption to Soviet supplies. The price of North Sea Brent crude for December delivery slipped slightly yesterday to $22.20 a barrel – down 25 cents, but the market undertone remains fairly strong.

The IEA reported that Soviet oil output dropped sharply to 10.1m b/d in the third quarter of the year from 10.65m b/d three months' earlier. This led to a drop in exports to countries of the Organisation for Economic Co-operation and Development of some 800,000 b/d to 1.5m b/d in the first eight months of the year.

Oil demand in the former Soviet Union remained fairly steady, showing a drop of just 100,000 b/d in the third quarter to 7.9m b/d, as prices did not rise as fast as overall inflation. In addition, oil consumption was firm because of a coal miners' strike earlier in the year, which meant more fuel oil was needed for electricity generation.

The IEA also revised downwards its estimate for world oil demand in the first half of next year, increasing pressure on producing countries to cut back. Demand is likely to average 68.4m b/d in the third quarter and 65.4m b/d – a drop of 3m b/d. In earlier reports, the IEA had expected the fall to be 2.7m b/d.

Zairean cobalt suspension confirmed

By Kenneth Gooding, Mining Correspondent

CONCERNED COBALT consumers confirmed yesterday that the western world's biggest producer, Gecamines of Zaire, had suspended deliveries of the metal, an essential ingredient in some of the superalloys used by aircraft manufactures and for some motor industry products.

Paradoxically, senior Gecamines' representatives also set out to tour Europe and Japan to talk to big customers about next year's cobalt allocations and contracts.

Traders said that the cobalt price, which reached $30 a lb in the free market on Monday, eased back on profit-taking yesterday. Prices of $23-$25 a lb were quoted. Lower-quality Russian cobalt was freely available at $18-$19 a lb.

Gecamines and Zambia, the second-largest western producer, have been charging $11 a lb this year and have a target of $13 for 1992. The minor metals table on this page quotes Friday's free market prices.

Mr Peter Corigan of Deloro Stellite, probably the UK's biggest user of cobalt, said Gecamines had indicated that it had some metal in Antwerp but had not yet decided how it would be released to customers. The Zarean group had only a small quantity in South Africa and none in the shipping pipeline.

He said that Gecamines supplied the highest-quality cobalt at a reasonable price but his company would take the precaution of finding an additional supplier for next year.

Gecamines has been suffering because of the riots and deaths in Zaire and the consequent departure of all its senior ex-patriot managers. Strikes at the mines, which have lasted more than two weeks, started as a protest about low pay and high inflation but now have political overtones. Many miners are also campaigning for the removal of Mr Mobutu Sese Seko as president.

Gecamines aimed to produce 12,000 tonnes of cobalt this year. Mr Amir Weissfisch of Lambert Metals suggested yesterday that Zaire might produce only about 10,000 tonnes in 1992 "and probably won't be able to deliver much at the beginning of next year".

Clouds begin to lift over Argentine farms

Things are looking up but growers still face some hard decisions, writes **John Barham**

THE OUTLOOK for Argentina's long-suffering farmers appears to be looking up at last. Crop prices are picking up and costs are coming down; the government has abandoned interventionism, last week sweeping away control agencies, regulations and red tape in a major deregulation package; and even the weather has improved.

However, many farmers are wondering if they will be among the survivors who will stand to benefit from a free market. After living through almost half a century of instability, perverse government policies, high inflation, high taxes and, more recently, plunging world commodity prices, many Argentine farmers are having to take some painful decisions.

Mr Oswaldo Sarachu, an economist at Coninagro, a co-operative umbrella organisation that represents small farms, says that while "the financial equation is positive and farmers can make enough to live on, they have not been able to invest in their farms. This is bearable for one or two years, but it is not sustainable much longer".

Both he and Mr Jorge Ingaramo, joint agriculture under-secretary, expect a drastic shake-out in the Pampas as marginal, decapitalised and unprofitable farms restructure or are forced out of business. But Mr Sarachu and Mr Ingaramo look at the same problem from starkly different viewpoints.

While recognising that the government has made impressive progress in stabilising the economy, Mr Sarachu says farmers are still suffering from rising production costs, low prices and insufficient financing.

According to recent figures from Fundación Mediterránea, a pro-government economic think tank, fuel costs expressed in terms of wheat prices are 32 per cent higher than the average between 1985 and 1990. A new tractor costs about US$26,000, or the equivalent of 293 tonnes of wheat; in the 1986-90 period the cost of a tractor cost equalled 219 tonnes of wheat.

However, abolition last week of a 3 per cent foreign trade tax will increase net revenues and reduce costs of imported goods. Costs are also set to fall following the abolition of all import controls, allowing those farmers with sufficient capital to import cheaper and better quality farm machinery, even though import tariffs remain high.

But the subsidies war between the European Community and the US has depressed prices below levels that even the ideal, economically viable farm has to double, so half the farmers will have to go."

The EC's Common Agricultural Policy has created huge surpluses of subsidised grain and beef, which it dumps on world markets, simultaneously forcing prices down and penetrating formerly captive Argentine markets. In 1985 the US began retaliating in kind with its Export Enhancement Program, worsening the lot of Argentina's unsubsidised farmers still more.

Coninagro says it now costs $230, including capital costs, to plant one hectare (2.47 acres) of wheat on the Pampas around Buenos Aires. But farmers are getting a return of only $171.9 a hectare, forcing them to postpone investments to keep their heads above water.

As farmers invest less in machinery and agrochemicals, yields and profits decline, sucking them into a vicious circle of falling revenues and rising indebtedness.

Mr Sarachu predicts a growing exodus from the countryside to big city slums as family farms gradually go bankrupt. He claims that small and medium farms will sell out to large, extensive farms: "The size of Argentine farmers, blessed with some of the world's most fertile soils, can turn a profit.

Mr Ingaramo, naturally, does not paint such a black picture. "The situation was bad, very bad, last December," he admits. And, although he says it has improved with the government's economic plan, "it is still not OK". He recognises that interest rates are too high, prices too low and that inputs are still expensive.

He points out, however, that the government has abolished the hated export taxes that only farmers had to pay as well as a general 3 per cent trade tax, reduced fuel costs and has opened up the economy to international trade. In the long run this should force prices down towards world levels and deregulation of the atrocious transport and port systems should further reduce costs in the future.

However, Mr Ingaramo, himself a farmer, says that, far from suffering from the instability of the past decades, Argentine farmers have actually been spoiled by high real exchange rates and heavy inflation.

He says inefficient farms, especially those operating in marginal areas thrived on the distortions created by high inflation. Farmers admit they cleverly turned inflation to their advantage to win low real interest rates, avoid taxation and benefit from high real exchange rates by working the currency black market.

Now, says Mr Ingaramo, stable prices and deregulation have exposed these hidden distortions: "There is no magic solution. Farmers will have to become good businessmen, by doing their sums and looking at their costs. There is no other salvation."

Mr Malcolm Graham, a director in Buenos Aires of Cargill, the US grain trader, agrees that seven months of economic stability are already making Argentine farmers more business-like. He says "they are beginning to take more interest in futures hedging. They are storing more of their harvest and selling it piecemeal, instead of all at one fell swoop". Previously, it made sense for farmers to sell their harvest as quickly as possible, even if that meant depressing prices, to spend the money before inflation could erode its value.

Optimistic as ever, Mr Ingaramo rejects Mr Sarachu's prophecies of doom. To begin with, he says, an end to the EC-US subsidy wars is in sight. Furthermore, he adds, "there is no terminal problem in agriculture. Farmers are beginning to look at their future and are realising that there are things they will have to change, like their choice of crops, farming methods, scale of operation, costs and technology". He suggests that farmers begin by investing less in wheat and more in cattle, just as he has.

Many farmers are wondering if they will be among the survivors who will stand to benefit from the government's new free market policies

Turks slaughter cattle after plague outbreak

TURKEY HAS slaughtered 4,700 cattle infected with rinderpest, or cattle plague, and vaccinated more than 4m others after finding the disease in livestock smuggled from Iran and Iraq, officials said, reports Reuter from Ankara.

"The disease was first seen in animals smuggled from neighbouring countries," said Mr Hakki Ozbek, head of the agriculture ministry's protection and control department.

He told the Anatolian news agency that over 5,000 other animals were suspected to have rinderpest. The ministry plans to vaccinate all of Turkey's near 14m cattle. Movement of cattle in the affected areas is banned until the programme is complete. The agency said meat prices had risen 40 per cent in the past two weeks because cattle markets and abattoirs were closed.

Officials said rinderpest was first detected early last month in the eastern province of Van, bordering Iran. It has since spread to 32 eastern, central and western provinces.

● Zimbabwe has suspended all exports of beef, pork, milk and dairy products following an outbreak of the contagious foot and mouth disease on a farm in the north-east, a senior government official said.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.80-2.40 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 20.00-23.00 (17.50-18.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 80-105 (70-90).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.18-2.24 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.30-2.45 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.25 (8.75).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+1,150	to 770,275
Copper	unchgd	at 291,825
Lead	+3,850	to 113,000
Nickel	−12	to 7,878
Zinc	unchgd	at 150,900
Tin	+40	to 13,250

CORRECTION

Pakistani maund

The maund, a unit of weight in Pakistan, is equivalent to 36.3 kg, not 18.18 kg as appeared on this page yesterday.

Growth seen in fruit juice demand

By William Dullforce in Geneva

WORLD TRADE in fruit juices increased threefold during the 1980s, reaching an estimated $5bn in 1990, and is likely continue to grow strongly for a long time, according to a 282-page market study by the International Trade Centre.

Developing countries account for about half of total exports. Brazil, by far the largest exporter with 33 per cent of the total, provided some 58 per cent of orange juice shipments and over half of all citrus fruit exports in 1989.

Per capita consumption of juices and nectars is still fairly low in most markets, including some of the biggest. In the US, a substantial exporter in its own right, consumption in 1989 was 29.7 litres per head for fruit juices and 11.5 litres for fruit drinks, which contain an average of 5 per cent less pure juice.

In Europe per capita consumption reached 36.2 litres in the former West Germany and 34 litres in Switzerland. The British consumed only 18 litres per head and the French no more than 7 litres.

ITC research indicates that, as consumers become more health conscious, consumption can be expected to rise in most, if not all, of these countries. Of most immediate interest is the Japanese market, where demand is soaring as imports are liberalised. The unification of Germany is expected to lead to a further swift expansion of the German market.

Third World exporters are likely to be the main beneficiaries of this growing world demand but high and fluctuating price levels for their mainly citrus and tropical juices could increase demand for temperate-zone fruit and berry juices in major markets, the ITC warns. Exporters also need to upgrade their production and quality levels and develop better marketing strategies, the book says.

The ITC, which is run jointly by the General Agreement on Tariffs and Trade and the UN Conference on Trade and Development, has conducted its survey in response to developing countries' requests for up-to-date market research.

In 1989 the biggest exporters of fruit and vegetable juices after Brazil were developed countries headed by the US and the Netherlands with Israel in fifth position. The second largest Third World exporter was Mexico, in 10th place with 2 per cent of the world market.

The rapid growth of the German market has been achieved largely through heavy sales promotion and advertising combined with the development of new products, such as multi-fruit and multi-vitamin drinks, and innovations in packaging.

There is virtually no demand for fruit juices from developing countries in retail packs. Importers' requirements are for single-strength fruit juices, concentrates and pulps in bulk, which they can then process.

The ITC book offers individual studies of eight west European markets, the US, Canada and Japan.

Fruit Juices, a study of the world market. International Trade Centre, Palais des Nations, CH-1211 Geneva 10.

French traders in $405m Soviet oil for food swap

By William Dawkins in Paris

THE SOVIET Union has agreed to buy $405m worth of French meat, sugar and powdered milk in two food for oil barter deals involving four French companies.

These are the first barter deals of this type between France and the Soviet Union and are part of the Soviet's urgent efforts to tackle its winter food shortages, said Sucres et Denrées, the French commodity trade house handling the sugar part of the operation.

They also involve Iteragra, the French food group, which will handle the supply of meat, and Elf Aquitaine and Total, the state-controlled oil companies, which will be taking delivery of the Soviet crude oil, diesel and heating oil, and natural gas to be offered in payment.

The transactions have been encouraged by the French government, which is keen to reduce meat stocks and to reduce the surplus on the domestic market so as to curb the meat price declines that have contributed to French farmer's violent unrest in recent months.

In the first deal, agreed last month, Sucres et Denrées has agreed to supply 300,000 tonnes of sugar in exchange for 860,000 tonnes of Soviet diesel oil, worth $130m over the next 12 months.

The second contract, under a Franco-Soviet government protocol signed at the end of October, provides for the delivery to the Soviet Union of 100,000 tonnes of meat – mainly beef – another 100,000 tonnes of sugar, 20,000 tonnes of powdered milk and 7,000 tonnes of baby food. Delivery is for the end of March, in exchange for 500,000 tonnes of Soviet heating oil, 1m tonnes of crude oil and 1.5bn cubic metres of natural gas, worth of a total of $275m.

Of that total, $45m of oil and gas will be delivered in 12 months, with the remaining $230m worth to come in 23 months.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta coffee prices rose sharply on roaster buying and short covering by the funds. Dealers said origin selling interest, in contrast, appeared to have almost totally dried up and further gains look likely in the short term. New York arabica futures were higher at midday on short covering and forecasts for only small amounts of rain in Brazil's growing areas. On the LME copper prices held above the lows as the market remained cautious ahead of today's November options declaration. Traders were also watching for developments in Zaire, where Gecamines workers are on strike and no new copper has been produced for two weeks. The market was unwilling to test resistance around $2,350 a tonne for three-month metal. News that LME aluminium stocks were up only 1,150 tonnes, a much smaller rise than the recent average, helped to hold prices steady. However, with the dollar regaining some of its recent losses against other currencies, the burst of consumer demand that some sources thought might have emerged on the currency factor did not materialise. New York cotton futures touched life-of-contract lows in early trading, but had recovered some of the losses by midday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$19.10-9.20	-.025
Brent Blend (dated)	$22.45-2.55	-0.15
Brent Blend (Dec)	$22.40-2.50	-0.10
W.T.I. (1 pm est)	$23.85-3.90z	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$245-247	
Gas Oil	$224-226	
Heavy Fuel Oil	$90-92	
Naphtha	$222-225	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$356.35	-0.10
Silver (per troy oz)♣	410.5c	+2.85
Platinum (per troy oz)	$365.5	+2.85
Palladium (per troy oz)	$87.25	+0.25
Copper (US Producer)	111.30	+1.22
Lead (US Producer)	37.83	
Tin (Kuala Lumpur market)	na	
Tin (New York)	256.0	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	102.70p	-0.98*
Sheep (dead weight)†	125.58p	+18.0
Pigs (live weight)†	74.48p	-0.78*
London daily sugar (raw)	$229.0	-1.7
London daily sugar (white)	$268.0j	-0.5
Tate and Lyle export price	£238.5	
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£141.25u	
Wheat (US Dark Northern)	£101	
Rubber (Dec)♥	52.25p	
Rubber (Jan)♥	52.25p	
Rubber (KL RSS No 1 Nov)	225.5m	
Coconut oil (Philippines)§	$585x	-5.0
Palm Oil (Malaysian)§	$365.0x	+2.5
Copra (Philippines)§	$380.0z	-5.0
Soyabeans (US)	£150.8	-1.0
Cotton "A" Index	65.25c	-0.8
Wooltops (64s Super)	387p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Nov/Dec y-Dec/Jan z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	199.00	200.50	198.00
Mar	194.00	195.60	196.40 194.00
May	194.00	196.00	196.00 194.00
Oct	198.40		197.00
White	**Close**	**Previous**	**High/Low**
Dec	287.8	287.4	288.6 287.0
Mar	283.0	283.3	284.7 282.5
May	282.0	282.3	284.0 281.5
Aug	283.5	283.6	285.0 283.0
Oct	259.0	259.1	259.5 259.0
Dec	257.0	257.1	256.5

Turnover: Raw 118 (440) lots of 50 tonnes. White 1982 (436)
Paris- White (FFr per tonne): Dec 1608.61, Mar 1603.34

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	22.41	22.38	22.54 22.20
Jan	22.20	22.16	22.28 22.00
Feb	21.90	21.81	21.90 21.87
Mar	21.65	21.48	21.65 21.48
Apr	21.25	21.18	21.32 21.28
May	20.90	20.90	20.93 20.90
Jun	20.65	20.53	20.73 20.65
Jul	20.45		20.55
IPE Index	22.53	22.33	

Turnover 16500 (20407)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	222.00	222.75	223.00 221.25
Dec	224.00	224.50	224.50 222.75
Jan	221.00	221.50	221.50 219.75
Feb	212.75	213.50	213.00 212.50
Mar	204.50	206.25	205.00 203.75
Apr	195.75	196.75	196.75 195.50
May	189.00	190.00	189.25 189.00
Jun	185.00	184.75	185.50 185.00
Jul	184.50		184.50

Turnover 13247 (10979) lots of 100 tonnes

JUTE
C and F Dundee: BTC US$400, BWC US$420, BTD US$365, BWD US$365. C and F Antwerp: BTC US$380, BWC US$375, BTD US$355, BWD US$350.

COTTON
MANCHESTER-Spot and shipment sales for the week ending 1 November amounted to 408 tonnes with sales mainly in American and Russian growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	740	734	744 731
Mar	779	773	785 768
May	804	798	810 798
Jul	828	822	829 818
Sep	850	844	852 845
Dec	874	868	878 869
Sep	949	939	949 947

Turnover 10339 (8651) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 4 937.63 (953.54) 10 day average for Nov.5 936.85 (936.07)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	554	522	561 520
Jan	567	541	573 540
Mar	550	543	560 542

Turnover:7201 (5516) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.4: Comp. daily 62.12 (61.81) 15 day average 63.57 (63.62)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	128.4	128.6	128.5 127.5

Turnover 84 (45) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	133.50	133.50	133.50 133.50
Apr	133.00	133.00	134.00 133.00
Jun	128.50	129.00	129.00 128.50
Aug	129.00	129.50	129.00

Turnover 421 (155) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1691		1695
Dec	1693	1696	1693 1690
Jan	1711	1709	1712 1709
Apr	1710	1711	1715 1709
BFI	1656	1653	1656

Turnover 41 (47)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	121.45	121.40	121.40 121.35
Mar	124.70	124.80	124.60
May	127.60	127.60	127.50
Barley	**Close**	**Previous**	**High/Low**
Nov	114.05	114.00	114.05 113.90
Jan	117.80	117.85	117.80 117.75

Turnover: Wheat 72 (69), Barley 43 (16).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	99.0	99.5	
Jan	97.0	97.0	

Turnover:0 (18) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.34	134.41			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,302 lots
Cash	1152.5-3.5	1157.5-8.5	1156/1155	1154-5		
3 months	1181-2	1186-7	1188/1179	1183-4	1184-5	132,030 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,622 lots
Cash	1348-9	1343-4	1350/1348	1347-8		
3 months	1336-9	1334-4.5	1343/1336	1338.5-39	1338-9	104,271 lots
Lead (£ per tonne)						Total daily turnover 2,642 lots
Cash	285-6	288-8.5	285	285-5.5		
3 months	297.5-8.0	289-9.5	301/296	295-6	298-99	12,610 lots
Nickel ($ per tonne)						Total daily turnover 7,889 lots
Cash	7425-35	7430-40	7385	7385-90		
3 months	7490-95	7490-95	7495/7480	7465-70	7480-90	17,367 lots
Tin ($ per tonne)						Total daily turnover 853 lots
Cash	5535-45	5538-40		5525-30		
3 months	5600-05	5590-600	5600/5585	5585-87	5595-605	5,163 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,514 lots
Cash	993.5-4.0	994-5	992/991	991-2		
3 months	1013-4	1013-14	1017/1012	1011-12	1010-12	29,008 lots

LME Closing £/$ rate:
SPOT: 1.7700 3 months: 1.7476 6 months: 1.7240 9 months: 1.7054

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	356.10-356.60	
Opening	356.30-356.70	
Morning fix	356.45	201.270
Afternoon fix	356.55	201.225
Day's high	356.80-357.10	
Day's low	356.10-356.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.66	6 months	4.43
2 months	4.60	12 months	4.35
3 months	4.53		

Silver fix	p/fine oz	US cts equiv
Spot	232.05	410.50
3 months	236.00	415.60
6 months	243.75	420.65
12 months	255.75	431.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.50-357.50	201.25-201.75
Maple leaf	366.50-367.50	206.75-207.25
New Sovereign	87.00-88.00	49.00-49.50

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	70	58	3	9
550	38	27	16	28
600	12	11	45	62
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	26	77	11	23
750	13	62	23	33
775	6	48	41	44
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2150		95	1	25
2200	52	83	7	49
2250	12	32	19	41

New York

GOLD 100 troy oz.; $/troy oz

	Close	Previous	High/Low	
Nov	354.1	358.8	357.0	357.0
Dec	355.4	358.1	358.6	355.3
Jan	356.8	359.5	0	0
Feb	358.0	360.7	361.0	357.7
Apr	360.4	363.1	363.6	360.2
Jun	362.9	365.6	365.2	364.4
Aug	365.7	368.3	0	0
Oct	368.3	370.9	0	0
Dec	371.1	373.7	373.0	373.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	363.0	366.1	0	0
Jan	365.0	368.1	369.5	365.0
Apr	368.5	371.5	371.0	369.1
Jul	372.1	375.1	373.7	373.7
Oct	378.9	381.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	404.8	406.7	405.5	405.5
Dec	406.3	408.3	411.5	406.0
Jan	407.9	409.9	0	0
Mar	412.3	414.3	417.5	412.0
May	416.4	418.3	420.5	420.5
Jul	420.2	422.0	424.0	422.0
Sep	424.5	426.2	426.0	426.0
Dec	430.9	432.5	434.0	430.5
Jan	433.2	434.9	0	0
Mar	437.8	439.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	106.85	107.20	107.00	106.80
Dec	106.55	107.15	107.20	106.30
Jan	105.45	106.00	0	0
Feb	104.70	105.25	104.70	104.70
Mar	103.90	104.45	104.60	104.00
Apr	103.20	103.80	0	0
May	102.56	103.15	103.30	102.85
Jun	102.05	102.65	0	0
Jul	101.60	102.20	0	0
Aug	101.15	101.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	59.30	62.95	60.18	59.25
Mar	61.17	63.73	62.10	61.15
May	61.83	64.85	62.70	61.77
Jul	62.50	65.10	63.40	62.50
Oct	64.10	66.35	64.60	64.10
Dec	64.32	0	64.90	64.35

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	23.78	23.80	23.94	23.62
Jan	23.60	23.57	23.78	23.45
Feb	23.29	23.24	23.43	23.14
Mar	22.95	22.90	23.10	22.81
Apr	22.63	22.59	22.75	22.53
May	22.37	22.33	22.47	22.25
Jun	22.13	22.09	22.18	22.01
Jul	21.94	21.90	22.03	21.78
Aug	21.77	21.73	21.75	21.65
Sep	21.62	21.58	21.65	21.57

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	7184	7188	7225	7130
Jan	7205	7194	7250	7160
Feb	7040	7023	7070	7010
Mar	6660	6658	6700	6645
Apr	6320	6323	6365	6330
May	6110	6118	6160	6120
Jun	5965	5978	6000	5960
Jul	5900	5918	5950	5900
Aug	5930	5948	5950	5950
Sep	6035	6053	6045	6045

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1213	1200	1220	1202
Mar	1274	1261	1281	1265
May	1310	1300	1313	1300
Jul	1343	1329	1348	1340
Sep	1367	1357	0	0
Dec	1404	1394	0	0
Mar	1436	1426	0	0
May	1460	1450	0	0
Jul	1483	1473	0	0
Sep	1504	1494	1501	1501

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.60	78.55	79.50	78.20
Mar	82.60	82.65	83.55	82.40
May	85.10	85.35	86.20	85.10
Jul	87.95	87.90	88.60	88.00
Sep	90.70	90.60	91.30	90.50
Dec	94.05	93.90	95.20	94.25
Mar	97.00	97.40	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.86	8.95	8.96	8.85
May	8.79	8.84	8.88	8.79
Jul	8.76	8.81	8.83	8.78
Oct	8.75	8.79	8.81	8.76
Mar	8.70	8.78	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	172.20	168.25	172.25	168.00
Jan	175.80	173.05	176.00	172.25
Mar	175.80	173.20	175.80	172.20
May	176.00	173.50	174.75	172.50
Jul	175.40	172.90	0	0
Sep	174.00	172.40	174.00	172.40
Nov	164.00	162.75	163.50	163.50
Jan	162.95	162.35	162.00	162.00
Mar	162.95	162.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.5	Nov.4	mnth ago	yr ago
1637.2	1641.2	1610.8	1694.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.4	Nov.1	mnth ago	yr ago
Spot	113.66	114.37	115.38	123.10
Futures	122.50	123.01	123.55	127.02

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	563/0	563/6	566/4	561/4
Jan	569/0	570/0	572/4	567/4
Mar	577/0	577/4	580/0	575/6
May	584/0	584/2	587/4	583/0
Jul	590/6	591/2	593/4	589/0
Aug	591/0	591/0	593/4	591/0
Sep	584/0	583/0	586/0	584/0
Nov	585/4	583/0	587/0	583/0
Jan	595/0	592/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.36	19.31	19.57	19.35
Jan	19.52	19.46	19.72	19.51
Mar	19.85	19.80	20.08	19.85
May	20.15	20.11	20.35	20.15
Jul	20.41	20.35	20.66	20.41
Aug	20.58	20.50	20.67	20.58
Sep	20.71	20.65	0	0
Oct	20.65	20.60	20.90	20.85
Dec	21.00	21.00	0	0
Jan	21.00	0	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	183.3	185.3	185.5	183.0
Jan	181.7	183.0	183.3	181.1
Mar	179.8	181.0	181.2	179.4
May	178.1	178.7	179.0	177.8
Jul	178.3	178.5	178.7	177.6
Aug	177.8	178.0	178.5	177.8
Sep	177.7	178.0	178.5	177.2
Oct	188.0	188.5	188.0	187.0
Dec	189.0	188.5	189.0	187.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	249/2	251/6	252/2	249/0
Mar	258/2	260/2	260/6	257/6
May	264/2	266/4	266/6	263/6
Jul	268/4	270/0	270/6	268/0
Sep	259/0	260/0	261/6	259/0
Dec	255/4	256/0	257/4	255/0
Mar	262/2	263/0	264/0	262/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	362/4	363/0	364/0	362/0
Mar	361/2	362/0	363/0	361/0
May	346/0	345/2	346/6	344/2
Jul	327/0	327/2	327/6	326/2
Sep	332/4	332/4	0	0
Dec	342/4	341/4	342/4	342/0

LIVE CATTLE 40,000 lbs; cents/lbs

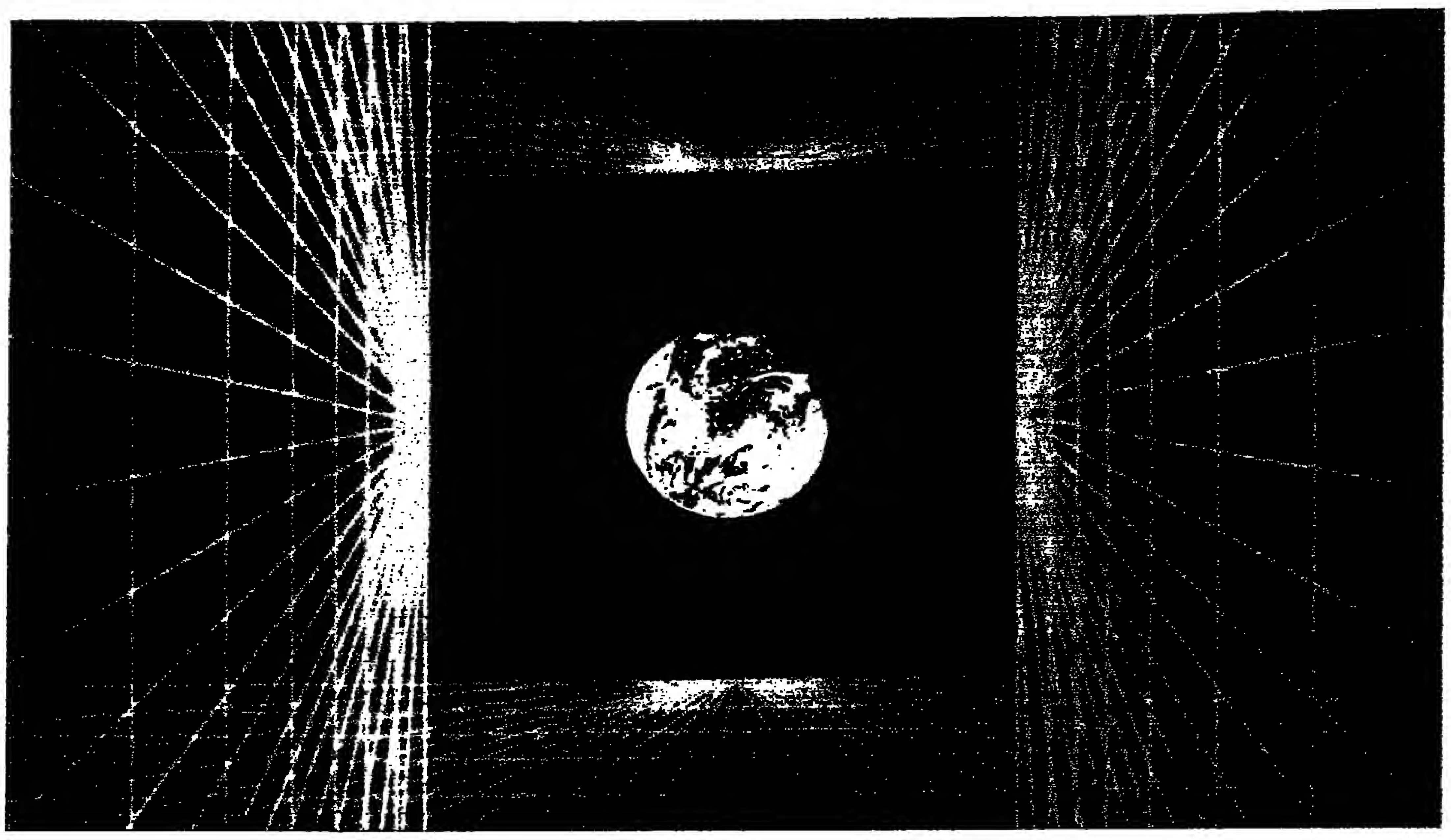
	Close	Previous	High/Low	
Dec	72.77	72.32	72.85	72.25
Feb	73.25	72.90	73.30	72.50
Apr	73.40	73.17	73.52	72.90
Jun	70.67	70.57	70.92	70.35
Aug	68.80	68.85	69.40	68.80
Oct	69.30	69.40	70.05	69.30
Dec	70.50	70.95	70.50	70.50

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.35	41.00	41.40	41.00
Feb	42.20	42.17	42.42	42.10
Apr	40.45	40.52	40.65	40.32
Jun	45.32	45.30	45.35	45.17
Jul	45.25	45.40	45.35	45.10
Aug	44.05	44.20	44.15	44.00
Oct	40.90	41.00	41.00	40.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41.67	41.90	42.10	41.50
Mar	41.62	41.80	41.95	41.40
May	42.70	42.92	42.97	42.60
Jul	43.77	43.80	43.77	43.30
Aug	42.10	42.15	42.45	42.10



LONDON STOCK EXCHANGE

Recovery checked before the close

By Terry Byland, UK Stock Market Editor

A TRADING programme by a leading UK brokerage house inspired a broadly based recovery in the London stock market yesterday. By mid-session the FT-SE Index had gained nearly 19 points. But the advance was later checked by the dramatic news that Mr Robert Maxwell, the publisher and newspaper proprietor, had been reported missing at sea; shares in Maxwell Communication and in Mirror Group were suspended by request of the two boards as further information was awaited.

The general tone of equities was essentially one of caution ahead of the Autumn Economic Statement expected today from Mr Norman Lamont, the UK chancellor of the exchequer. Suggestions in the market that the chancellor plans to boost public spending by around £5bn were taken calmly by investors.

Account Dealing Dates		
*First Dealings:		
Oct 28	Nov 11	Nov 25
Option Declarations:		
Nov 7	Nov 21	Dec 5
Last Dealings:		
Nov 8	Nov 22	Dec 6
Account Day:		
Nov 18	Dec 2	Dec 16

*New-time dealings may take place from 8.30 am two business days earlier.

The trading programme, believed to involve £100m of stocks spread across the Footsie and non-Footsie lists, appears to have been the key to the market's behaviour this week. The sell side was largely completed on Monday and yesterday saw the buy operations unravel. Traders commented that while the buying pressure was relatively modest, it was seen as a favourable indication of institutional confidence.

The market opened slowly behind Wall Street's overnight fall, but picked up as the brokerage house came in with its buying list. Outside of the trading programme, volume remained fairly unimpressive but the market moved ahead steadily.

Trading quietened down as London waited for New York to open, but all other considerations were brushed aside by the shock announcement concerning Mr Maxwell. Some late selling was reported of selected banking stocks involved with Maxwell financing.

With Wall Street unimpressive in early deals, London gave back some of the gain achieved in the first half of the session. The final reading showed the FT-SE Index at 2,540.9, for a net gain on the day of 13.1 points.

The day's Seaq volume total was boosted by delayed reporting of some of the trading programme deals. The final total of 528.7m shares compared with 366.4m in the previous session, implying that the programme had been weighted significantly to the buy side. Traders added that the market had been helped by the buying back of tax loss selling deals transacted at the close of the previous day.

A steadier performance by the US dollar also helped the international blue chips, and a good recovery among oil majors strengthened the performance of the Footsie Index. The general recovery in the market took in most of the sectors which have suffered in the recent shakeout in equities. Store shares came in for support, as investors showed renewed faith that consumer spending will lead the UK economy out of recession. The sector is also still responding to last week's interim statement from Marks and Spencer.

Strategists continued to express concern about the outlook for Wall Street, with S.G. Warburg warning that "the Dow will only gingerly test 3,080," and Mr Richard Lake at Hoare Govett predicting that "only a lift-off in Wall Street would put a floor under the London market." Fears that German interest rates may be moved higher continued to undermine hopes for an early reduction in UK base rates.

FINANCIAL TIMES STOCK INDICES

	Nov 5	Nov 4	Nov 1	Oct 31	Oct 30	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.50	86.46	86.56	86.92	86.96	80.41	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.16	96.48	96.54	96.94	96.74	86.47	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1948.1	1935.3	1962.7	1962.3	1978.7	1598.9	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	154.7	154.1	161.2	164.4	165.6	168.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2540.9	2527.8	2549.5	2566.0	2577.1	2069.8	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1149.20	1145.92	1152.35	1158.30	1161.91	.	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.02	4.98	4.93	4.91	4.86	5.98				
●Earning Yld % (full)	7.69	7.73	7.67	7.62	7.52	12.48				
●P/E Ratio(Net)(☆)	16.31	16.22	16.36	16.47	16.68	9.71				
SEAQ Bargns 4.45pm	23,894	22,423	23,461	26,202	25,339	19,444				
Equity Turnover(£m)†	-	574.26	787.75	973.01	960.29	701.47				
Equity Bargains†	-	21,481	21,848	23,834	23,743	17,197				
Shares Traded (ml)†	-	327.1	432.9	492.0	448.0	324.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.41

Ordinary Share Index, Hourly changes — Day's High 1953.5 — Day's Low 1938.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1938.7	1942.2	1941.3	1948.0	1947.7	1947.1	1952.9	1951.2	1948.1

FT-SE 100, Hourly changes — Day's High 2546.5 — Day's Low 2530.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2532.3	2537.0	2533.7	2540.9	2541.7	2540.6	2546.2	2544.1	2539.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1152.13 — Day's Low 1146.98

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1147.57	1147.84	1149.11	1149.72	1149.65	1151.75	1150.82

GILT EDGED ACTIVITY

Indices*	Nov 4	Nov 1
Gilt Edged Bargains	94.1	102.9
5–Day average	114.2	116.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Banks under pressure

THE REPORTS of Mr Robert Maxwell's loss at sea prompted further unease in an already shaky banking arena, as institutions and private investors latched on to worries about the high street banks' exposure to the Maxwell empire. The latter's debt is estimated at well in excess of £1bn.

A banks trader commented: "The sector was already on the run when the news filtered into the market, and it did nothing to help sentiment which is being continually damaged by a non-stop barrage of profits downgrades."

The worst performer in the sector was Midland, which dropped to a low of 224p at one stage before steadying and closing a net 8 off at 228p. Earlier, Midland shares had been marked down sharply after one of the London broking houses increased its forecast current year loss at the bank. Turnover in the stock reached 8.2m shares.

Barclays also attracted above-average activity, with 6.9m shares changing hands. The stock ended 12 off at 403p, after touching 401p. Lloyds was finally only 2 easier at 382p, after 379p, while NatWest dipped 3 to 309p.

Recent keen support for Standard Chartered was withdrawn and the shares ran back sharply to close a net 16 off at 407p. TSB drifted off 2 to 129p,

Wellcome wanted

Half a dozen stories circulated concerning Wellcome, as the company's shares climbed 19 to 757p. Top of the list was an upgrading from New York broker Wertheim Schroder, which reaffirmed its long-term purchase recommendation. Wertheim said the company's Aids drug Retrovir – which has been associated with the promise of high profits in some areas – was not an important part of the company. This year Wellcome will show strong earnings growth overall, with none of it coming from Retrovir, according to Wertheim.

The US broker also highlighted a review by the US Food and Drug Administration of Wellcome's anti-viral drug Zovirax concerning its possible use with chicken pox.

Wertheim added that margins would improve as Wellcome sold off some of its peripheral businesses. Within hours, Wellcome revealed it was in talks with French company Roussel Uclaf to sell its environmental health business, and with Murex Technologies, of Canada, to sell its diagnostics division.

Finally, one London broker pointed out that the company's epilepsy drug Lamictal was likely to receive UK approval soon. The world epilepsy drug market was worth around $800m in 1990 and Mr Martin Hall of UBS Phillips & Drew sees Lamictal sales reaching $350m in five years.

Tarmac weak

Tarmac, the building materials and construction group, continued its retreat, the shares sliding 11 to 161p after more profits downgrades and a growing belief that the group may well cut its final dividend. A story that Cazenove, the company's broker, had attempted to sell a substantial line of Tarmac stock into the market added to the pressure on the share price. Turnover came out at 4.2m, well above average levels.

Robert Fleming Securities was the latest broker to chop its earnings expectations, moving from a forecast of £80m to £60m for the current year and from £100m to £90m for 1992. Mr David Taylor at Tarmac said: "A reduced dividend now has to be a possibility."

Last Friday, UBS Phillips & Drew lowered its current year forecast from £100m to £63m and said it expected the dividend total to be cut from 11.25p to 8.25p.

GEC edged up to 186p, with turnover of 11m inflated by a bed and breakfast deal of 9m shares traded at 175p.

Oil issues put on a strong performance after the International Energy Agency gave details of higher than expected oil consumption during the third quarter. An analyst said: "Good news for oil prices and therefore good news for oil shares, as it supports the bullish view for second quarter crude oil prices for next year."

BP rose 5 to 330p and Shell 8½ to 511p. Enterprise, stimulated by encouraging drilling news from the Norwegian sector of the North Sea, climbed 10 to 538p.

Worries about home repossessions and increased loss forecasts upset the financial areas of the market. National Home Loans, reporting on Friday, lost a penny more to 6½p, but First National Finance, bruised on Monday by a broker's sell recommendation, regained 2 at 43p, having retreated to 35p at one point.

TSB eased 2 to 129p, the lowest level since January, with the market disillusioned by the non-appearance of any stakebuilders since the lifting last month of the rule restricting shareholdings to 5 per cent. Abbey National, unsettled recently by a UBS Phillips & Drew profits downgrade, eased 2 to 279p in spite of a series of presentations to broking firms.

Composite insurers were again under pressure, with Royal Insurance unable to sustain an early improvement said to have been triggered by a circular issued by the group's broker. Marked up to 293p initially, the shares subsequently retreated to end another difficult day a further 3 lower at 284p, a level last seen some six years ago.

Life assurances included a handful of good performers, notably Legal & General, 6 firmer at 367p, in spite of the group's exposure to the worsening mortgage indemnity market.

BAT Industries retreated against the market trend as Hoare Govett, one of the City's strongest bulls of the stock, lowered its profits forecast. Mr Richard Workman at Hoare reduced his 1992 estimate by £100m to around £1.6bn. This is still close to the top end of the range of analysts' forecasts. S.G. Warburg, for example, has pencilled in about £1.35bn for the same period.

A modest recovery in the value of the dollar against sterling helped to steady internationals after recent weakness. Rothmans International rose 15 to 1133p, Glaxo gained 11 to 779p and SmithKline Beecham improved 12½ to 800p.

Exhibition organiser Blenheim jumped 25 to 428p, a new high, ahead of finals due today.

Healthcare group AAH improved 10 to 461p. It was prominent in a pharmaceutical wholesalers sector hoping to pick up a greater market share after Medicopharma decided to pull out of the UK arena. UniChem, another market leader, gained 3 to 190p. Rentokil recovered 7 to 354p following weakness on Monday.

Securities house S.G. Warburg was recommending Courtaulds Textiles after the company was discussed at the house morning meeting. The shares rose 5 to 428p.

Gus "A" was wanted on optimism over trading and comment that it may sell CCN Systems, its credit referencing subsidiary. Investors have also been buying ahead of the 25½p dividend to be released on Monday. The shares advanced 18 to 1387p.

Marks and Spencer benefited from a number of analysts' recommendations and closed 5 up at 290p. Both Smith New Court and Nomura Research have repeated their buy stance on the stock.

Direct marketing group Kleen-E-Ze strengthened 8 to 45p. The company announced that director Mr Nigel Swabey has increased his stake in the company by 3 percentage points to 14 per cent.

County NatWest published a hard-hitting note on Burton Group, arguing that the "fundamentals remain awful" and the final results on November 21 would only highlight the group's problems. The shares failed to benefit from the firmness in the stores sector and dipped 1½ to 45p.

Tour operator Airtours climbed 12 to 806p, just 6 below the stock's record high.

Caution from UBS Phillips & Drew upset Ladbroke shares. They finished 2 off at 248p, but after having been as low as 239p at one point. Turnover was a heavy 4.8m shares.

The market remained unimpressed by Hawker Siddeley's latest defence document, which anticipated full-year profits of £104m to £130m but a 30 per cent improvement in earnings.

The shares eased on consideration of the document but later rallied to close 3 up on balance at 725p, with predator BTR reported to have been shopping for stock at 724p. Turnover amounted to 1.9m. BTR gained 8½ to 399p.

Bargain hunters helped to lift British Steel 2 to 116½p, although worries about the year-end dividend remain.

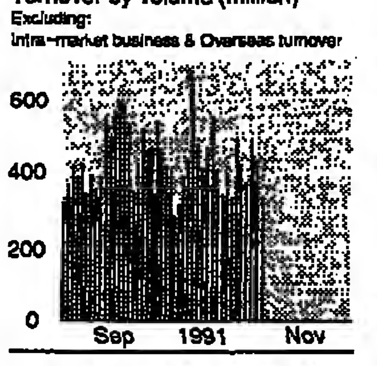
MARKET REPORTERS: Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (54).
BRITISH FUNDS (2) Tr. 3pc. 1992, Tr. 2pc. IL 1992, BREWERS (2) Matthew Clark, Wolverhampton & Dudley, BUILDINGS (2) Gleeson (M.J), Manders, CHEMICALS (3) Plysu, Porvair, Wardle Storeys, STORES (2) Ashley (Laura), Blacks Leisure, ELECTRICALS (2) MTL Instruments, Prestwick, ENGINEERING (4) Concentric, Prospect Inds., Victaulic, Wood (SW), FOODS (2) Brake Bros., Farepak, HOTELS (1) Mandarin Oriental Intl., INDUSTRIALS (13) AAH, Airsprung Furniture, Beepak, Boxmore Intl., Bridport-Gundry, ECC, Kleen-E-Ze, Le Creuset, Morgan Crucible 7.5pc. Prf., Seton Healthcare, Spring Ram, Toye, UniChem, INSURANCE (2) Lloyd Thompson, Lowndes Lambert, LEISURE (1) First Leisure, MOTORS (2) FR, Kwik-Fit, NEWSPAPERS (3) Blenheim, News Corp., News Intl., STORES (1) Ashley (Laura), TRANSPORT (2) London & O'seas Freighters, Tibbett & Britten, TRUSTS (6) Aberforth Smaller Co's., F & C Smaller Co's., Mercury Asset Mgmt., Murray Enterprise Zero Prf., River Plate Zero Prf., OILS (5) Evergreen Res., Global Natural Res., Gulfstream Res., NZ Oil & Gas., Pittencrieff.

NEW LOWS (46).
AMERICANS (1) IBM, CANADIANS (2) ECO, Imperial Oil, BANKS (2) First Natl. Finance, Do. 8.3pc. Prf., BUILDINGS (1) Ward Group, CHEMICALS (1) Novalal, STORES (2) Oliver, Do. Rtd., ELECTRICALS (5) Automated Security, Radius, Sema, ENGINEERING (1) WB Inds., FOODS (3) Albert Fisher, Ashley, Do. 8.25p Prf., INDUSTRIALS (13) ADT, Beckenham, Bioplan, British Aerospace, Elkem, Hanson Wrnts, ISA Intl., Limon Park, Penna, PFG Hodgson Kenyon, RPS, Tamaris 6.5pc. Prf., Whitecroft, INSURANCE (2) Alexander & Alexander, Royal Insce., LEISURE (2) Thames TV, Wembley, NEWSPAPERS (2) Maxwell Communication, Mirror, PROPERTY (1) Bourne End, TEXTILES (1) Lister, TRANSPORT (1) All Nippon Airways, TRUSTS (6) Caledonia, Gresham House, Indonesia Equity Fd., JF Asia Select, JF Indonesia Fd., Natl. Home Loans, MINES (2) Renison, Waverley Mining Finance.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	32	430	-¼	Cookson	144	122	+1	Lucas	1,100	137	+2	Severn Trent Water	1,700	329	+3
ASDA Group	11,000	43½	+1½	Courtaulds	268	470	+4	MB Caradon	183	250	+2	Shell Transport	3,100	511	+8½
Abbey National	1,700	273	-2	Dalgety	42	370	+2	MEPC	316	465	+2	Siebe	121	514	
Albert Fisher	1,700	85		De La Rue	426	474		Manweb	157	295	-1	Slough Ests	41	252	+1
Allied-Lyons	1,800	589		Dixons	1,000	257	+4	Marks & Spencer	1,900	290	+6	Smith (W H) A	102	486	+2
Amstrad	2,400	37		ECC Group	738	487	+8	Maxwell Comms	2,800	121	-18	Smith & Nephew	3,800	134½	+2
Anglian Water	206	374	-1	Eastern Elect	895	238	+2	Midland Bank	8,900	228	-8	SmithKline Beecham	1,600	800	+12½
Argos	410	322	-1	East Midland Elect	397	252	+1	Midlands Elect	71	385		SmithKline Beecham Uts	115	3605	+25
Argyll Group	868	375	+4	Enterprise Oil	794	538	+10	NFC	384	217	+3	Smiths Inds	279	385	+8
Arjo Wiggins	1,700	288	-1	Eurotunnel Units	771	420	+2	NatWest Bank	3,900	309	-3	Southern Elect	668	258	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

EARLY buying by independent traders failed to excite dealing in Footsie futures yesterday, writes Joel Kibazo.

The "local" traders turned buyers following a better than expected Wall Street close on Monday and a good opening in the underlying cash index. The demand pushed the December futures contract to a modest premium.

However, institutional selling was seen at the higher levels on continued nervousness ahead of the UK chancellor's Autumn Statement today and the outcome of the three by-elections tomorrow.

The selling forced the locals to take profits and the December contract retreated to trade around its estimated fair value premium to the index for the rest of the session.

At the close, December stood at 2,568, up 24 on the previous session and around its estimated fair value of 26. Turnover topped 6,500 contracts.

In traded options, turnover of 19,021 contracts was up slightly on the previous day. BT was the busiest option with 1,758 contracts traded after *last week's disappointing figures* and amid worries about next month's flotation of half the government's remaining stake in the company. British Steel and Barclays Bank were also active.

LONDON SHARE SERVICE

BRITISH FUNDS — BRITISH FUNDS–Contd — INT. BANK AND O'SEAS — CORPORATION LOANS — COMMONWEALTH & AFRICAN LOANS — LOANS — Building Societies — Public Board and Ind. — FOREIGN BONDS & RAILS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Making new tracks

Ian Hay Davison, perhaps best known for his role as the reforming chief executive of Lloyd's insurance market from 1983 to 1985, has found a new role to add to his string of directorships: he is to become non-executive chairman of Charterail, the company pioneering revolutionary ways of moving freight by rail.

A joint venture between British Rail and the private sector, Charterail only came into existence last year.

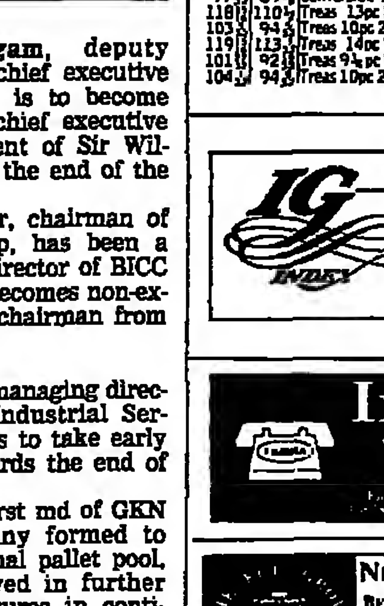
It has a fleet of special freight trains which allow it to switch road trailers onto rail wagons for the long-distance part of their journey, so taking them off Britain's overcrowded motorways.

Davison, 60, was left with time on his hands after his recent resignation from the chairmanship of Credit Lyonnais Capital Markets, Credit Lyonnais' London investment banking arm.

His other non-executive directorships at Storehouse (where he is also chairman), Chloride, the Independent newspaper and the Victoria & Albert Museum were clearly not enough to fill it.

The lure for Charterail is Davison's financial clout. At present just a little company running three trains a night over BR's tracks, it has big ambitions for its environmentally-friendly form of goods transport.

That growth is going to be expensive – and Charterail hopes Davison is just the man to come up with new and interesting ways of financing it.



Andrew Buxton bows out

BARCLAYS managing director Andrew Buxton still seems to be the front runner to take over the chairmanship of Barclays. But the other Andrew Buxton – an elder cousin – is bowing out of the executive rat race. Although still only 56, Buxton senior has decided to retire from the board of RTZ, the mining group, in January.

An executive director of RTZ since 1974, Buxton was one of the protégés of RTZ's chairman Sir Mark Turner. Having joined the Rio Tinto Company in 1957, he worked in various corners of the world including Australia, Brazil and South Africa. He was finance director between 1977 and 1987, but seems to have lost out in the boardroom reshuffle which followed Sir Derek Birkin's appointment as chief executive in 1985.

After a new finance director was hired from outside the group in 1987, Buxton became mining and metals director and then industrial minerals director.

He will continue to undertake special assignments for Robert Wilson, chief executive, but wishes to devote more time to external non-executive directorships, which include Norwich Union Insurance, and to family interests.

His departure will weaken the strong links that have long existed between Britain's biggest bank and its premier mining finance house. Buxton is a member of one of the founding families of the Barclays Bank group. Sir Anthony Tuke, a former Barclays chairman, chaired RTZ between 1981 and 1985 and still sits on the board. Meanwhile, Sir Derek Birkin sits on the Barclays board.

■ **Robin Biggam**, deputy chairman and chief executive of BICC group, is to become chairman and chief executive on the retirement of Sir William Barlow at the end of the year.

Viscount Weir, chairman of the Weir Group, has been a non-executive director of BICC since 1977 and becomes non-executive deputy chairman from January 1.

■ **John Jessop**, managing director of GKN's Industrial Services division, is to take early retirement towards the end of next year.

He was the first md of GKN Chep, a company formed to operate a national pallet pool, and was involved in further Chep joint ventures in continental Europe. He joined the main board in 1986.

■ **Dennis Stopford** has been appointed md of Securiguard Group; he has been president of the US division for the past two years.

■ **John Beck** has been named as md of Evered Bardon's marine aggregates and European subsidiary, Civil & Marine; he moves from Balfour Beatty where he was director and general manager of its southern division.

■ **Stephen Boyd** is promoted to md of Silentnight Beds from md of its Layezee Beds brand, and John Wiseman moves to md of Layezee from its production director.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

PROPERTY

LONDON SHARE SERVICE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.		635	.....
Finlay Pkg 5p ..		45	..
Holt (Jos) 25p .		2020	.

IRISH

Cap. 8½% Ln 2010	£95⅛	...
9pc Cap Ln. 1996.	£98½	...
Fin. 13% 97/02.	£114	...
Arnotts	190	
Heiton Hldgs....	33	......
IRG..	123½	.....
United Drug	178	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons.	50
Amstrad.	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle.	28
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met.	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd.	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord.	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever.	60
Vickers	16
Wellcome.	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm.	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res.	1
Ultramar	28

Mines

Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.54	49.54	50.03	[illegible]	10.6
Cont'd Prf'ance	5½	48.47	48.79	52.04	[illegible]	[illegible]
Ethical	5½	49.13	50.14	53.34	[illegible]	[illegible]
European Growth	5½	46.88	46.88	50.03	[illegible]	3.0
Income	5½	46.90	47.30	50.45	[illegible]	[illegible]
Intl Growth	5½	63.76	64.23	68.51	[illegible]	[illegible]
Managed	5½	58.15	58.85	62.77	[illegible]	[illegible]
UK Growth	5½	51.18	51.82	55.27	[illegible]	[illegible]

Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Exempt Acc	3	195.7	198.1	206.3	+0.1	2.98
Do Income	3	186.6	189.1	196.9	+0.1	2.98

Standard Life Tst Mngmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5½	35.63	35.63	37.86	-0.3	[illegible]
UK Equity Gth Acc	5½	47.94	48.87	51.93	-0.2	[illegible]
UK Eq High Inc Inc	5½	32.47	33.18	35.26	-0.3	[illegible]
UK Eq High Inc Acc	5½	36.51	37.30	39.64	-0.3	[illegible]
UK Equity Gen Acc	5½	45.93	46.68	49.60	-0.4	[illegible]
UK Equity Gen Inc	5½	35.94	36.52	38.81	-0.3	[illegible]
UK Larger Cos Acc F	7½	299.5	303.5	329.3	-2.1	[illegible]
UK Larger Cos Inc F	7½	241.2	244.4	265.2	-1.7	[illegible]
Gilt & Fxd Int Inc	5½	27.33	27.40	28.98		7.68
O'seas Larg Cos Acc F	7½	212.1	216.2	234.6	-3.0	2.16
Nth American Acc	5½	33.77	33.94	36.07	-0.9	[illegible]
Far East Acc	5½	41.61	42.69	45.36	-0.4	[illegible]
European Acc	5½	33.10	34.82	37.00	-0.2	[illegible]

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N & P Life Assurance Ltd

6-7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107 1	112 7	...	-
Pension Managed Fd	105 6	111 2		-
Life Deposit Fd	110 4	116 2		-
Pension Deposit Fd	117 0	123 1		-

For National Fin see Target Life

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	167 9	176 8		-
UK Equity	177 0	186 4		-
Overseas Equity	134 7	141 8		-
Fixed Interest	154 6	162 8		-
Property	133 1	140 2		-
Index Linked	152 1	160 2		-
Deposit	163 2	171 8		-
With Profits (B)	133 5	140 6		-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	355 3	374 1	+0 1	-
UK Equity	449 3	473 0	+0 4	-
Overseas Eq	340 3	358 3	+0 4	-
Americas	286.6	301 7	-2 8	-
Far East	371 8	391 4	-1.5	-
Property	194 4	204 7	-0 1	-
Fixed Int	271.7	286 0	+0 4	-
Indexed Gilt	161.5	170 1		-
Deposit	187.2	197 1		-
With Profit	104 5	110 0		-
Pension Fund (Accum Units)				
Managed	512.6	539 6	+0 2	-
UK Equity	608 5	640 6	+0 6	-
Overseas Eq	577 0	607 4	-0 4	-
Americas	362 6	381.7	-1 0	-
Far East	610 0	642 2	+0.5	-

[illegible]

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	227.4	239 9	+0 5	-
UK Fixed Int Acc	186 6	196 9		-
Intl Equities Acc	173.6	183.2	-0 3	-
UK Managed Acc	174 8	184.3		-
Property Acc	225 4	237 8		-
Money Acc	133 2	140 6	+0.1	-
Special Market Acc	149 4	157.6	-0 7	-
Japan Equity Acc	104 2	110 0	-0 6	-
North American Acc	101 4	107 0	-0 8	-
Pacific Acc	93 9	99 1	+0 1	-
Technology Acc	122 7	129.5	-2 0	-
Nat Resources Acc	54 6	57 6	-0.3	-
European Acc	99 4	104.9	-0.4	-
Residential Prop Acc	94 5	99 7		-
Swiss Equities Acc	32 7	34 5	+0.1	-
Hong Kong Acc	67.9	71.7	+0 7	-
UK High Inc Eq Acc	73 9	78.0	+0 2	-
Int Fixed Interest Acc	60 3	63 7	...	-
Int Managed Acc	56.3	59 3	-0 1	-
HIP Managed Acc	116 4	122 7	-0 7	-
HIP Managed II Acc	102 4	108 0	-0 1	-
HIP Managed III Acc	109 8	115.8	-0.1	-
Tirtas Investment Bond				
UK Equity Initial		154.3	+0 3	-
UK Fixed Int Initial		126 8	-	-
Intl Equities Initial		117 0	-0 3	-
UK Managed Initial		118 8	...	-
Property Initial		154 2	.....	-
Money Initial		91 0		-
Special Market Initial		115 7	-0 6	-
Japan Equity Initial		80 8	-0.4	-
North American Initial		78 5	-0 6	-
Pacific Initial		72 8	+0 1	-
Technology Initial		95 0	-1.6	-
Nat Resources Initial		42.2	-0 2	-
European Initial		89 0	-0.3	-
Residential Prop Init		90 1	-	-
Swiss Equities Initial		31.1	+0 1	-
Hong Kong Initial		64 8	+0 7	-
UK High Inc Eq Init		70.5	+0.2	-
Int Fixed Interest Init		58.3	.	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$17.25	18.64	+0.27	1.05
Japan Tech	$63.56	66.75	+0.10	–
Japan Fund	$26.69	28.03	+0.02	0.17
Japan New Gen'n Fd	$20.36	21.38	-0.01	–
Malay Sing	$53.50	56.18	+0.38	0.31
Nth American	$21.87	22.97	-0.16	0.58
Octopus Fund	$21.66	22.75	+0.28	0.88
Pacific Fd	$64.41	67.64	-0.02	–
International Bond	$17.76	18.65	+0.09	6.89
Europa Fund	$13.52	14.20	+0.22	–
British Screen Fd	£0.92	0.97	–	–
Tristar Warrant	$11.18	11.74	+0.34	–
Hong Kong	$52.01	54.62	+0.96	3.09
Mngd Portfolio (Stlg)	£4.13	4.45	-0.04	–
Mngd Portfolio (Dlr)	$10.35	10.91	+0.03	–
Currency Fd-Sterling	£19.60		....	–
Currency Fd-US Dollar	$15.41		....	–
Curr Fd-Deutschemark	DM40.71		....	–
Curr Fd-Managed $	$45.66	47.94	+0.26	–

	Bid Price	Offer Price	+ or -	Yield Gross
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*		$1.00	....	5.16
Investment Series*		$1.00	....	5.16

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM				0624 661551		
ADI Managed(z)	5	0.5963	0.5963	0.635	[illegible]	1.29
ADI Mgd Currency(z)	3	0.3994	0.3994	0.4211	[illegible]	5.44
ADI W'wide Eq(z)	5	0.6643	0.6643	0.7074	[illegible]	1.09
ADI Nth Amer Gth(z)	5	0.7826	0.7826	0.8334	[illegible]	0.01
ADI Far East (z)	5	1.122	1.122	1.194	[illegible]	1.11
ADI Gilt & Income(z)	5	0.2535	0.2535	0.2673	[illegible]	8.53
ADI UK Cap Gth (z)	5	0.2305	0.2305	0.2454	[illegible]	3.3
ADI Europe Fd (z)	5	1.128	1.128	1.198	[illegible]	1.44

For conversion Prices of Shares Phone 0624 662860

Asset Global Funds Ltd (1200)
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

	Bid Price	Offer Price	+ or -	Yield Gross
Midland Bank Fund Managers (Jersey) Ltd				
PO Box 26, St Helier, Jersey 0534 606000				
Intl Circuit Portfolio	6	0.9964	0.9964 1.0565	1.66
Gilt	3	0.9329	0.9329 0.9620	10.40

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 76077
Govt Secs Fd .... 4 | 54.55 | 56.55 | 58.89 | +0.01 | 9.51

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 73494

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	102.24	102.24	105.31	+0.03	10.00
Gilt & Fixed Interest	3	104.90	104.90	108.76	[illegible]	7.91
Blue Chip & Gilt Bond	5	49.98	49.98	53.23	[illegible]	3.76
International Bond	5	107.94	107.94	114.34	-0.31	5.60
UK Equity	5	139.55	139.55	150.73	-0.50	0.92
International Equity	5	115.20	115.20	123.18	-0.53	0.00
Far Eastern	5	92.31	92.31	98.59	+0.30	0.00
European	5	83.34	83.34	88.17	-0.48	0.00
Pan American	5	145.47	145.47	154.74	-1.08	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.31	97.31	100.56	+0.11	10.24
Monthly Share	3	96.10	96.10	99.29	+0.11	10.37

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling	£21.30		....	9.5
US Dollar	$31.43		+0.01	4.2
Deutschemark	DM55.22		+0.01	7.9
Yen	Y4,045		+0.001	5.3
Managed Multicurrency	£23.16	13.63	....	–
Managed Multicurrency	$25.22	26.12	+0.01	–
Bond Funds				
Sterling Bond	£0.404	0.419	-0.001	10.5
US Government Income	$97.72	101.19	-0.12	6.7
Asian Selection Funds				
Hong Kong	$13.198	13.893	+0.287	1.3
Indonesia	$7.135	7.511	+0.043	3.0
Korea	$10.316	10.859	-0.412	4.8
Malaysia	$9.687	10.197	....	2.3
Philippines	$10.543	11.098	+0.074	4.0
Singapore	$11.134	11.720	....	4.0

Hill Samuel Inv Services Intl SA – Contd.

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (u)

CM Investment Serial Funds

Capel-Cure Myers Intnl Fd Sicav (u)

Top Brand Fund Intl-SICAV (u)

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Fragtrummer I (u)

GT Management Plc – Contd.

Nomura Warrant Fund 1990 Ltd
NAV $1.44

North Star Fund Managers (Cayman) Ltd

Abbey Global Investment Fund
41 Ave de la Gare, L-1611

Abtrust Fund Mngrs
13 rue Goethe L-1637

Aetna Intl Umbrella Fund
47 Blvd Royal, PO Box 275

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar posts modest recovery

THE DOLLAR was slightly firmer yesterday as the currency market began to regain its composure after the turbulence of the previous four trading days when the US currency fell by over 5 per cent.

However, with the Federal Reserve expected to have authorised a ½ point cut in the discount rate to 4½ per cent at its Open Market Committee meeting yesterday, there was a reluctance to push the dollar up much.

Mr Mark Austin, treasury economist at Hongkong and Shanghai Banking in London, said: "The markets are suffering from exhaustion. We have had a very busy period and now we are going through a short period of inactivity *waiting for the Fed.*"

Economists were uncertain as to when the Fed would make its move on rates. Some thought an *immediate easing* was likely; others thought it might wait until the Treasury bond refunding is completed on Thursday; a third school of thought was that the release of important October inflation figures next week would be the signal for an easing.

In any case, the expectation that the Federal Reserve would respond to the growing signs of economic weakness left the US currency confined to a narrow trading range yesterday.

Tokyo currency traders had pushed the dollar off its lows amid talk that an Asian central bank had been buying dollars. European foreign exchange dealing was quiet. Around midday in New York the dollar started to move up in the wake of a report that the Soviet Union may run out of convertible currency this month and be unable to meet foreign debt commitments, but eased later.

The dollar closed higher in London at DM1.6420 from DM1.6330; at SFr1.4485 from SFr1.4350; at Y129.80 from Y128.90; and at FFr5.6125 from FFr5.5800. In New York it ended easier at DM1.6385.

The yen remained under pressure ahead of an expected ½ point cut to 5 per cent by *the Bank of Japan in the official discount rate.* Japanese money market rates were depressed and with Mr Kiichi Miyazawa, who *favours lower rates, now prime minister,* dealers *anticipate a move soon* from the Bank of Japan. The D-Mark closed at Y79.21-29, up 20 points.

The D-Mark was firm after Mr Otmar Issing, a Bundesbank board member, said the west German inflation rate was too great and warned German unions and management about agreeing to high wage rises.

The Bundesbank council meets today but is not expected to raise interest rates. But as Mr Issing indicated, if the current wage round produces high wage settlements, the Bundesbank is willing to tighten monetary policy. The D-Mark rose to 88.20 Swiss centimes from 88.00.

The peseta was steady after the Bank of Spain lowered one *of its overnight assistance* rates by 5 basis points to 12.55 per cent. But analysts said the Bank of Spain will have to ease more aggressively if the peseta is to be restrained.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.632	128.688	-3.70	5.30	54
Belgian Franc	42.4032	42.1375	-0.63	2.04	35
D-Mark	2.05586	2.04563	-0.50	1.91	38
Dutch Guilder	2.31643	2.30516	-0.49	1.90	29
Italian Lira	1538.24	1533.29	-0.32	1.73	21
Irish Punt	0.767417	0.765446	-0.26	1.66	16
Sterling	0.696904	0.703839	1.00	0.40	-30
Danish Krone	7.84195	7.93132	1.14	0.26	-47
French Franc	6.89509	6.99182	1.40	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 5	Close	Previous Close
£ Spot	1.7725-1.7735	1.7730-1.7740
1 month	0.85-0.83pm	0.79-0.78pm
3 months	2.31-2.28pm	2.31-2.28pm
12 months	8.12-8.00pm	8.03-7.93pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 5	Previous
8.30 am	91.2	91.2
9.00 am	91.2	91.1
10.00 am	91.2	91.1
11.00 am	91.2	91.2
Noon	91.2	91.3
1.00 pm	91.1	91.2
2.00 pm	91.2	91.3
3.00 pm	91.2	91.3
4.00 pm	91.2	91.3

POUND SPOT - FORWARD AGAINST THE POUND

Nov 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7655 - 1.7765	1.7695 - 1.7705	0.85-0.83cpm	5.69	2.30-2.27pm	5.16
Canada	1.9790 - 1.9870	1.9845 - 1.9855	0.46-0.37cpm	2.51	1.38-1.25pm	2.65
Netherlands	3.2680 - 3.2800	3.2700 - 3.2800	¼-⅛cpm	0.92	¾-⅝pm	0.84
Belgium	59.65 - 60.00	59.90 - 60.00	9-5cpm	1.40	17-6pm	0.77
Denmark	11.2345 - 11.2800	11.2700 - 11.2800	1⅝-1⅛orepm	1.46	3⅝-2¼pm	1.13
Ireland	1.0850 - 1.0895	1.0870 - 1.0880	par-0.05cdis	-0.28	0.07-0.16dis	-0.42
Germany	2.9040 - 2.9100	2.9050 - 2.9100	⅜-¼pfpm	1.29	⅝-½pm	0.77
Portugal	248.70 - 250.25	249.25 - 250.25	38-58cdis	-2.31	157-204dis	-2.89
Spain	182.40 - 183.20	182.65 - 182.95	27-47cdis	-2.43	78-114dis	-2.10
Italy	2174.10 - 2182.40	2177.50 - 2178.50	¼-1¼cdis	-0.52	3¼-4½dis	-0.73
Norway	11.3600 - 11.4025	11.3900 - 11.4000	1⅝-⅛orepm	0.92	⅝-¼pm	0.13
France	9.9130 - 9.9440	9.9300 - 9.9400	1¼-1cpm	1.28	2⅝-2¼pm	1.01
Sweden	10.5700 - 10.6175	11.6075 - 11.6175	par-½oredis	-0.26	⅛-1½dis	-0.39
Japan	229.20 - 230.25	229.25 - 230.25	¾-¼ypm	4.24	2½-2¼pm	4.24
Austria	20.41 - 20.48	20.45 - 20.48	2⅛-1¼gropm	0.99	2½-2¼pm	0.48
Switzerland	2.5595 - 2.5700	2.5600 - 2.5700	¾-⅝cpm	2.63	1⅛-1¼pm	2.05
Ecu	1.4180 - 1.4265	1.4215 - 1.4225	0.13-0.08cpm	0.89	0.19-0.14pm	0.46

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.35-4.30cpm 12 Month 8.07-7.97pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7655 - 1.7765	1.7695 - 1.7705	0.85-0.83cpm	5.69	2.30-2.27pm	5.16
Ireland†	1.6230 - 1.6295	1.6270 - 1.6280	0.70-0.65cpm	4.98	1.96-1.88pm	4.74
Canada	1.1205 - 1.1235	1.1205 - 1.1215	0.28-0.31cdis	-3.16	0.69-0.74dis	-2.55
Netherlands	1.8435 - 1.8560	1.8500 - 1.8510	0.70-0.73cdis	-4.64	2.02-2.06dis	-4.41
Belgium	33.70 - 33.90	33.85 - 33.95	12.00-14.00cdis	-4.60	36.00-41.00dis	-4.54
Denmark	6.3440 - 6.3800	6.3675 - 6.3725	2.10-2.40oredis	-4.24	6.15-6.70dis	-4.03
Germany	1.6360 - 1.6475	1.6415 - 1.6425	0.60-0.61pfdis	-4.42	1.81-1.83dis	-4.43
Portugal	140.90 - 141.35	140.90 - 141.00	97-102cdis	-8.47	278-293dis	-8.10
Spain	102.95 - 103.60	103.50 - 103.60	68-74cdis	-8.23	186-196dis	-7.38
Italy	1226.00 - 1233.00	1230.25 - 1230.75	6.20-6.70liredis	-6.29	18.00-19.00dis	-6.01
Norway	6.4120 - 6.4495	6.4350 - 6.4400	2.80-3.10oredis	-5.5	8.00-8.50dis	-5.13
France	5.5935 - 5.6270	5.6100 - 5.6150	2.04-2.09cdis	-4.42	5.88-5.98dis	-4.23
Sweden	5.9705 - 6.0050	5.9925 - 5.9975	2.90-3.15oredis	-6.06	8.35-8.80dis	-5.72
Japan	129.25 - 130.05	129.75 - 129.85	0.14-0.15ydis	-1.34	0.33-0.35dis	-1.05
Austria	11.5150 - 11.5750	11.5450 - 11.5500	4.30-4.70grodis	-4.68	12.20-13.50dis	-4.45
Switzerland	1.4395 - 1.4520	1.4480 - 1.4490	0.36-0.38cdis	-3.07	1.14-1.18dis	-3.20
Ecu	1.2425 - 1.2495	1.2450 - 1.2460	0.52-0.48cpm	4.82	1.50-1.44pm	4.72

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY MOVEMENTS

Nov 5	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.2	-20.3
U.S. Dollar	63.5	-16.6
Canadian Dollar	106.8	-5.4
Austrian Schilling	109.5	+11.9
Belgian Franc	111.2	-2.0
Danish Krone	108.4	+3.0
D-Mark	117.9	+24.7
Swiss Franc	109.0	+17.6
Dutch Guilder	114.0	+16.1
French Franc	102.3	-13.5
Lira	98.8	-19.6
Yen	141.3	+76.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Nov 4

CURRENCY RATES

Nov 5	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	[illegible]	0.778029	0.703839
U.S. Dollar	5	1.38178	1.24354
Canadian $	8.17	1.54870	1.39501
Austrian Sch.	7.50	15.9444	14.3953
Belgian Franc	8.00	46.8113	42.1375
Danish Krone	9.50	8.80606	7.93132
D-Mark	7.50	2.26366	2.04563
Dutch Guilder	7.50	2.56132	2.30516
French Franc	9.60	7.74419	6.99182
Italian Lira	11.50	1697.79	1533.29
Japanese Yen	5.50	N/A	161.561
Norway Krone	9	8.90557	8.01787
Spanish Peseta	[illegible]	142.551	128.688
Swedish Krona	10.00	8.28930	7.46437
Swiss Franc	7.00	1.99391	1.80252
Greek Drach.	19	N/A	230.031
Irish Punt	[illegible]	N/A	0.765446

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov 4

OTHER CURRENCIES

Nov 5	£	$
Argentina	17532.9 - 17570.4	9900.00 - 9910.00
Australia	2.2575 - 2.2595	1.2755 - 1.2765
Brazil	1175.05 - 1176.25	663.500 - 663.800
Finland	7.0735 - 7.0825	3.9980 - 4.0010
Greece	331.605 - 328.770	183.050 - 186.000
Hong Kong	13.7315 - 13.7445	7.7425 - 7.7445
Iran	115.50*	65.00*
Korea(Sth)	1324.00 - 1345.30	748.70 - 757.70
Kuwait	0.49250 - 0.49330	0.28000 - 0.28010
Luxembourg	59.90 - 60.00	33.85 - 33.95
Malaysia	4.8415 - 4.8530	2.7365 - 2.7415
Mexico	5313.00 - 5319.95	3000.00 - 3002.00
N. Zealand	3.1420 - 3.1455	1.7745 - 1.7765
Saudi Ar.	6.6225 - 6.6995	3.7500 - 3.7510
Singapore	2.9535 - 2.9640	1.6710 - 1.6740
S.Af (Cm)	4.9565 - 4.9665	2.8060 - 2.8075
S.Af (Fn)	5.4600 - 5.5330	3.0770 - 3.1250
Taiwan	46.55 - 46.60	26.25 - 26.35
U.A.E.	6.4840 - 6.5010	3.6715 - 3.6735

* Selling rate

EURO-CURRENCY INTEREST RATES

Nov 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10 9/16 - 10 7/16	10⅝ - 10½	10 9/16 - 10½	10 7/16 - 10⅜	10⅜ - 10¼	10⅜ - 10¼
US Dollar	5¼ - 4 15/16	5⅛ - 5	5⅛ - 4 15/16	5 3/16 - 5 1/16	5⅛ - 5	5⅜ - 5¼
Can. Dollar	8½ - 8	8½ - 8	7 13/16 - 7 11/16	7⅝ - 7 9/16	7⅜ - 7¼	7⅝ - 7½
Dutch Guilder	9 5/16 - 9 3/16	9 5/16 - 9 3/16	9⅜ - 9¼	9½ - 9⅜	9⅝ - 9½	9½ - 9⅜
Swiss Franc	7½ - 7¼	7⅝ - 7⅛	8 - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8
D-Mark	9⅛ - 9	9⅛ - 9	9⅜ - 9 5/16	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
French Franc	9⅜ - 9 3/16	9⅜ - 9 3/16	9 7/16 - 9 5/16	9⅜ - 9 5/16	9⅜ - 9¼	9 7/16 - 9 5/16
Italian Lira	12 - 10	10¾ - 10⅝	11 - 10⅞	11⅛ - 10⅞	11⅛ - 10⅞	11⅛ - 11
Belgian Franc	9⅜ - 9¼	9 5/16 - 9 3/16	9 5/16 - 9 3/16	9⅝ - 9½	9⅝ - 9½	9 9/16 - 9 7/16
Yen	6⅛ - 6	6⅛ - 6	6 1/16 - 6	6⅛ - 6	5 15/16 - 5 13/16	5 13/16 - 5 11/16
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 6-5¾ per cent; three years 6½-6¼ per cent; four years 7-6¾ per cent; five years 7¼-7 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.5	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.770	2.908	229.8	9.935	2.565	3.275	2178.	1.985	59.95	1.422
$	0.565	1	1.643	129.8	5.613	1.449	1.850	1231	1.121	33.87	0.803
DM	0.344	0.609	1	79.02	3.416	0.882	1.126	749.0	0.683	20.62	0.489
YEN	4.352	7.702	12.65	1000.	43.23	11.16	14.25	9478	8.638	260.9	6.188
F Fr.	1.007	1.782	2.927	231.3	10.	2.582	3.296	2192	1.998	60.34	1.431
S Fr.	0.390	0.690	1.134	89.59	3.873	1	1.277	849.1	0.774	23.37	0.554
N Fl.	0.305	0.540	0.888	70.17	3.034	0.783	1	665.0	0.606	18.31	0.434
Lira	0.459	0.813	1.335	105.5	4.562	1.178	1.504	1000.	0.911	27.53	0.653
C$	0.504	0.892	1.465	115.8	5.005	1.292	1.650	1097	1	30.20	0.716
B Fr.	1.668	2.952	4.851	383.3	16.57	4.279	5.463	3633	3.311	100.	2.372
Ecu	0.703	1.245	2.045	161.6	6.987	1.804	2.303	1532	1.396	42.16	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% — [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% — [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% — [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100% — [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100% — [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% — [illegible]

LONDON (LIFFE) — 20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; 9% NOTIONAL ECU BOND; 12% NOTIONAL ITALIAN GOVT. BOND (BTP); THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; THREE MONTH EURO SWISS FRANC; FT-SE 100 INDEX; FT-SE EUROTRACK 100 INDEX — [illegible]

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7700	1.7616	1.7471	1.7267	1.6898

PARIS — 7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; 6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF) Stock Index; ECU BOND (MATIF); OPTION ON LONG-TERM FRENCH BOND (MATIF) — [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) — [illegible]

CHICAGO — U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

BRITISH POUND (IMM) $ per £

	Close	High	Low	Prev.
Dec	1.7610	1.7670	1.7550	1.7658
Mar	1.7400	1.7460	1.7330	1.7446
Jun	1.7206	1.7270	1.7180	1.7248

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Dec	0.6891	0.6913	0.6861	0.6924
Mar	0.6838	0.6861	0.6807	0.6870
Jun	0.6787	0.6805	0.6750	0.6818

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Dec	389.70	393.75	388.90	391.85
Mar	391.75	395.65	391.00	393.95
Jun	393.60	399.30	395.20	395.85

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

World rates steady

THE GLOBAL money markets were treading water yesterday as dealers waited for the US and Japan to cut their interest rates.

US money rates were lower with a ½ point cut in the discount rate to 4½ per cent anticipated by the market. The Federal Open Market Committee met yesterday and dealers believed it would decide to lower rates.

Last week, the Fed cut a short-term money market rate by ¼ point to 5 per cent and analysts expect the Fed to follow that up with a reduction in the discount rate in order to put pressure on the commercial banks to lower their prime rate.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

In London December Eurodollar futures rose a point to 94.83 in quiet dealing. In New York the Federal Reserve refrained from money market operations and Fed funds were trading at 5 per cent, down ⅛ point.

Japanese money markets were also anticipating an imminent reduction in rates in the wake of Mr Kiichi Miyazawa becoming prime minister. Mr Miyazawa favours a reduction in Japanese rates to revive economic growth.

A ½ point reduction in the official discount rate to 5 per cent is expected by the market.

However, there was less speculation about a rise in German rates. Worries about inflationary pressures had led to weakness in German government bonds and a rise in money market rates. Dealers had discussed the possibility of the Bundesbank raising interest rates at its council meeting tomorrow.

But most operators now think the Bundesbank will wait for the outcome of the current round of wage negotiations before moving on rates. German money rates were steady with call money unchanged at 9.00-9.10 per cent.

In London, the December Euromark contract was unchanged at 90.49. Trading was muted.

In Rome, the Bank of Italy signalled at its latest repurchase tender that it wished to see lower money market rates. The average rate at the tender fell to 10.6 per cent from 10.76 per cent.

The UK money market was left out of this excitement with the three months inter-bank rate unchanged at 10½-⅜ per cent as dealers waited for the autumn statement and the three by-elections tomorrow.

December short sterling rose 2 points to 89.85, implying an interest rate of 10.15 per cent by the yearend.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.5) 3 months US dollars: bid 5¼ offer 5⅜ — 6 months US Dollars: bid 5 offer 5⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds — [illegible]

Frankfurt, Paris, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin — Overnight, One Month, Two Months, Three Months, Six Months, Lombard Intervention — [illegible]

LONDON MONEY RATES

Nov 5 — Overnight, 7 days notice, One Month, Three Months, Six Months, One Year — Interbank Offer, Interbank Bid, Sterling CDs, Local Authority Deps., Local Authority Bonds, Discount Mkt Deps, Company Deposits, Finance House Deposits, Treasury Bills (Buy), Bank Bills (Buy), Fine Trade Bills (Buy), Dollar CDs, SDR Linked Dep. Offer, SDR Linked Dep. Bid, ECU Linked Dep. Offer, ECU Linked Dep. Bid — [illegible]

Treasury Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.9402 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1991. Agreed rates for period Nov 26, 1991 to December 24, 1991, Scheme I: 11.68 p.c. Schemes II & III: 11.68 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from November 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

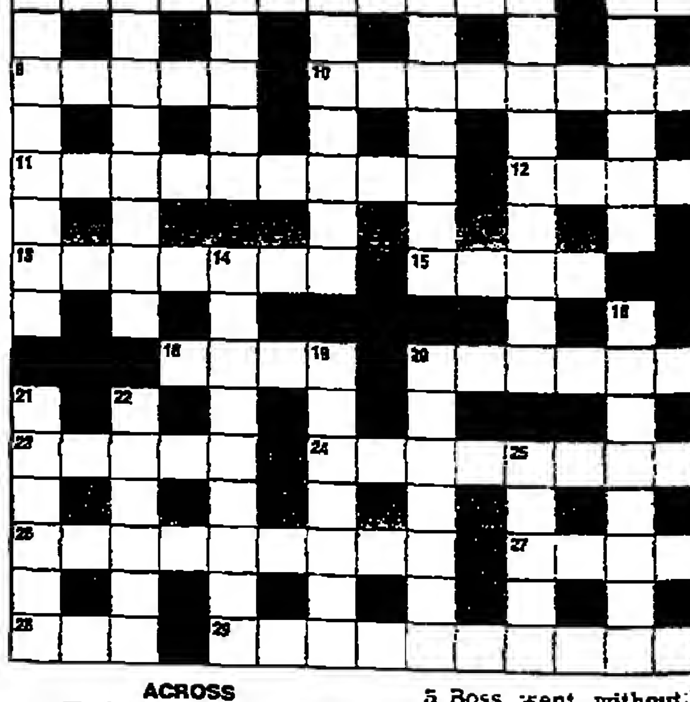
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,691 Set by GRIFFIN



ACROSS

1 Flashers seen at the seaside? (11)
7 Notice one accepting assistance (3)
9 Stop father taking exercise (5)
10 US entry: "Go as a Child" (9)
11 It's Sam, messing with running water without a cup (9)
12 One not backing cold medicine (5)
13 Fugitive found outside a landing-strip (7)
15 Work off top layer next (4)
18 Sacked one short man (4)
20 Bomb injured poor Ted (7)
23 Emergency money in church (5)
24 Acts of neglect in very big chapel (9)
26 Unusually sad ode about salesman turning criminal (9)
27 First person to scold when angry (5)
28 Recoiling as front door's blue! (3)
29 Feeling of nausea after having felt swell? (11)

DOWN

1 One cutting stones to surround new dairy (8)
2 Glutton: person swallowing fruit (6)
3 Handle model soldiers with a tin-opener! (5)
4 Somebody's "Seymour" in Homer's epic (7)
5 Boss went without head pupil (7)
6 Tourist always after spectacles (9)
7 Minister volunteers to back nurse (6)
8 Frank cried uncontrollably last night (6)
14 Welsh sort might be of no value (9)
16 Against introducing the foreign-made drink (8)
17 They provide neat accommodation (8)
19 Miniature scene in play, I love (7)
20 Excursion to new oil port (7)
21 For spring man gets black suit (6)
22 American admitted nude dancing's new! (6)
25 Staff having music centre on credit (5)

Solution to Puzzle No.7,690

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov 5	Nov 4	Nov 1	Oct 31	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3031.31	3045.62	3056.35	3069.10	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.50	97.54	97.40	97.21	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1274.29	1281.02	1280.83	1283.07	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.76	215.20	215.64	216.01	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High (a) (3061.27) Low (a) (3019.01)

STANDARD AND POOR'S	Nov 5	Nov 4	Nov 1	Oct 31	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	388.71	390.28	391.32	392.45	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	458.56	460.49	461.43	462.95	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.39	31.56	31.80	32.00	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	214.68	215.43	216.01	216.54	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	384.94	384.10	386.85	387.31	387.31 (31/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	538.82	537.50	540.93	542.98	542.98 (31/10)	355.75 (14/1)	542.98 (31/10/91)	54.87 (31/10/72)

	Nov 1	Oct 25	Oct 18	year ago (approx.)
Dow Industrial Div. Yield	3.03	3.09	3.00	4.08

	Oct 30	Oct 23	Oct 16	year ago (approx.)
S & P Industrial div. yield	2.71	2.73	2.69	3.42
S & P Indl. P/E ratio	21.37	21.17	21.44	14.86

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Savin Bus	3,725,700	¼	- .....
RJ Nabisco	3,569,400	10¼	- ⅛
Salomon	2,895,300	28½	- 1⅛
Compaq	2,761,000	27⅞	+ 1¼
Maxus Energy	1,784,600	8¼	.....
Toys R Us	1,749,400	26¾	- ⅜
Amer Express	1,744,100	18½	- ⅛
Pepsico	1,346,600	28⅞	- ½
Glaxo	1,318,700	55¼	+ ¼
Wendy's	1,318,100	8¼	- ½

TRADING ACTIVITY

† Volume (Millions)	Nov 5	Nov 4	Nov 1
New York SE	171.950	155.530	205.750
Amex	14.396	12.342	13.677
NASDAQ	(u)	154.799	205.424
NYSE			
Issues Traded	2,157	2,132	2,120
Rises	742	653	765
Falls	853	967	813
Unchanged	562	512	542
New Highs	85	58	111
New Lows	25	19	12

CANADA

TORONTO	Nov 5	Nov 4	Nov 1	Oct 31	1991 HIGH	1991 LOW
Metals & Minerals	3056.02	3031.54	3013.57	3038.01	3299.99 (18/7)	2632.06 (9/1)
Composite	3525.71	3511.77	3512.58	3515.76	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1862.56	1857.33	1856.94	1864.31	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

*Saturday November 2: Taiwan Weighted Price: 4299.74 Korea Comp Ex. 684.72.
‡ Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 5 November 1991

	Stocks Traded	Closing Prices	Change on day
Toyo Tire	9.4	1,090	+80
Sato Kogyo	3.8	1,540	+20
Honshu Paper	3.0	983	-4
Tokyu	3.0	1,150	0
Meiji Milk	2.8	1,080	-40
Hitachi Zosen	2.6	710	+5
Takuma	2.4	1,870	+20
Nippon Carbon	2.1	2,020	+190
C Itoh	2.0	700	-15
Hitachi	1.9	1,000	0

Price data supplied by Telekurs.

4:00 pm prices November 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18 7/8	9 1/4	AAR Corp x	0.48	0.03	19	168	14 3/8	14	14	-1/4
21 3/8	14 1/2	A L Labs A	0.16	0.01	22	1509	21	19 3/4	19 7/8	-5/8
55 3/4	40 7/8	AMP Inc x	1.44	0.03	90	1970	53 1/2	52	52 1/4	-5/8
68 5/8	44 1/4	AMR			12	1964	63 1/2	62 3/4	63	-1/8
2 5/8	1	ARX			1	90	1 3/8	1 1/4	1 3/8	+1/8
56	41 1/2	ASA	3.50	0.07	13	456	47 5/8	46 3/4	46 7/8	-3/8
60 1/4	38 3/4	Abbott Lab	1.00	0.02	24	5475	59 3/4	59	59 1/4	-1/8
14 5/8	9 7/8	Abitibi Pr	0.50	0.04	25	19	13 7/8	13 7/8	13 7/8	-1/8
11 3/8	10 3/8	ACM Gvt In	1.26	0.11		430	11	10 7/8	11	
9 3/8	8 3/4	ACM GvOpp	1.01	0.11		26	9 1/2	9 1/2	9 1/2	
9 1/2	8 1/4	ACM Gvt Sp x	1.01	0.11		243	9	8 7/8	9	
11	9 7/8	ACM Gvt Se x	1.26	0.12		567	10 3/4	10 1/2	10 5/8	
9	7 5/8	ACM Man	1.01	0.11		329	u9	8 7/8	8 7/8	
12 7/8	11 1/2	ACM Managd	1.35	0.10		235	u12 7/8	12 3/4	12 7/8	
7 1/2	4 3/4	Acme Cleve x	0.40	0.06	16	127	6 1/2	6 3/8	6 3/8	
6	3 3/8	Acme Elect			42	4	4 3/4	4 1/2	4 5/8	+1/8
40	22 3/4	Acuson			67	831	36 1/4	35 7/8	36	
19 3/4	14 3/4	Adams Expr	0.73	0.04	1	73	u19 7/8	19 3/4	19 7/8	+1/8
20 1/8	17 1/2	Adobe t2PY	2.40	0.13		22	19	18 7/8	19	-1/8
9 1/4	6 5/8	Adobe Res			48	27	7 1/4	7 1/4	7 1/4	+1/8
38 1/8	18	Ad Micro				778	35 1/2	34 1/2	35 1/2	+1/4
14 1/4	4 3/8	Ad Micro P	3.00	0.34		848432	12 5/8	12 1/4	12 1/4	
5 1/8	2 1/4	Advest Grp	0.16	0.04	6	35	3 3/4	3 3/4	3 3/4	-1/8
49 1/8	31 7/8	Aetna Lf	2.76	0.07	36	2283	39 1/8	38 1/2	38 1/2	-1/8
10 5/8	6 7/8	Ahli A x	0.24	0.03	52	525	8 1/8	7 7/8	7 7/8	-1/8
20 7/8	12	Ahmanson x	0.88	0.05	10	3229	16 5/8	16 1/8	16 1/8	-1/4
17	2 7/8	Aileen Inc			18	351	16 3/4	16 1/4	16 3/8	+1/8
74 1/8	51 1/8	Air Pr Chm	1.56	0.02	16	514	68	67 7/8	67 7/8	-7/8
30	16 5/8	Airborne Frt	0.30	0.01	63	796	25 5/8	25	25 1/2	
21 1/4	12 1/2	Airgas Inc			75	114	20 5/8	20 3/8	20 1/2	+1/4
15 1/4	10	Airlease	1.68	0.14	6	15	12 3/8	12 1/4	12 1/4	-1/4

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
61⅛	37	Rubbermaid x	0.34	0.01	62	533	u61⅞	60⅝	60⅞	+⅛
18¾	13½	Ruddick	0.24	0.01	13	7	16¼	16¼	16¼	+⅛
18⅜	13	RussBerrie	0.60	0.04	13	25	16⅞	15⅝	16¼	−⅛
7⅛	⅜	Russ Togs	0.20	0.27	0	4781	⅞	d⅜	⅝	−⅛
30⅛	19¼	Russell Cp x	0.32	0.01	22	217	28	27⅞	27⅞	+⅛
21⅛	14	Ryder Syst	0.60	0.03	25	1065	18¾	18½	18⅝	+⅛
25¼	13⅜	Ryland Grp	0.60	0.03	44	92	22⅝	21⅞	22	

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28⅞	20¾	S Anita Rt	2.08	0.09	17	38	22½	22	22⅛	+⅛
16½	11½	SCOR US Cp	0.24	0.02	9	35	16¼	15⅞	15⅞	+⅛
37	20¾	SPS Techno	1.28	0.05	12	60	26¼	26⅛	26⅛	−⅛
2⅛	⅝	Saatchi&S	0.19	0.28	0	1055	¾	11/16	11/16	−1/16
13⅛	11	Sabine Rlt	1.18	0.09	7	49	12⅞	12¾	12¾	−⅛
10⅛	5⅞	Safecard	0.15	0.01	9	1899	u10⅛	9⅞	10	+⅛
13⅞	8⅝	Safeg'd Sc			50	277	u13⅞	13⅜	13⅜	+⅛
37	26	SafetyKln	0.32	0.01	28	715	29½	29	29⅛	−¼
21⅝	11⅞	Safeway			13	841	18	17¾	18	+¼
4⅞	2⅝	SafewayW96				173	4	3⅞	4	
35⅞	26⅞	StJoePaper	0.20	0.01	37	80	33⅞	33½	33½	−⅜
34¾	26⅝	StJoeL&P x	1.66	0.06	12	3	30⅞	30⅞	30⅞	
4⅛	1½	Salant Crp			0	2	3	3	3	
69¼	43⅝	Sallie Mae	0.80	0.01	17	3843	59	58	58¼	−⅝
13⅞	10⅜	Salomon Br	0.60	0.04		922	13⅞	13½	13¾	+⅛
37	20¾	Salomoninc	0.64	0.02	7	2788	30½	28½	28½	−1⅛
45¾	37⅛	SanDgo G&E	2.80	0.06	46	128	42⅞	42⅜	42½	
4⅞	2¾	SantaFeEDu	0.50	0.16	62	37	3¼	3⅛	3⅛	
16¾	10⅜	SantaFeERs	0.16	0.01	26	885	11½	11	11¼	
36¼	25	SantaFePac x	2.80	0.08	10	68	33⅛	32⅞	32⅞	−¼
11⅞	5⅛	SantaFeSth			18	74160	11½	11⅛	11¼	−⅛
45⅞	29⅝	Sara Lee x	1.24	0.03	27	3850	45⅛	44⅞	44⅞	+⅛
¼	1/16	Savin Corp			0	3718	0.08	d1/16	0.08	
7⅞	1⅞	Savin 0.80	0.80	0.34		140	2½	2¼	2⅜	
41½	33½	Scana Corp x	2.62	0.06	8	112	40¾	40⅝	40¾	+⅛
45⅞	36	Scecorp	2.72	0.06	11	2073	44⅛	43⅝	43¾	−⅜
62	40⅞	SchringPl x	1.32	0.02	21	3943	u62¼	61½	62⅛	+⅞
74	50½	Sch'berger x	1.20	0.02	26	4757	70¼	69¼	69⅞	+⅝
37⅞	11⅞	Schwab(C)	0.16	0.00	43	712	u38	37¼	38	+⅝
6⅞	3⅞	Schwitzer			102	92	6⅜	6⅛	6⅛	−¼
17⅞	11½	SciantAtln	0.18	0.01	354	888	15⅜	14½	15¼	+¾
9⅝	6	Scotman	0.10	0.01	30	368	8⅛	8	8	−⅛
46⅝	35⅛	ScottPaper x	0.80	0.02	38	842	38⅝	38	38¼	
16½	11⅝	ScuddrNAsF	0.68	0.03		171	u16⅞	16¼	16¾	+¼
10⅜	7⅞	ScuddrNEuF	0.25	0.03		122	8⅜	8¼	8¼	−⅛
28½	19⅛	Sea Cont x	0.70	0.03	11	315	24	23⅝	23⅞	+⅛
15½	13½	SeaC1.4625	1.46	0.10		12	15¼	15	15	
18¼	14¾	SeaC2 1	2.10	0.14		8	15¼	15⅛	15⅛	
117½	81⅝	Seagram Co	2.00	0.02	15	822	116	116	115½	+½
31½	21	Seagull En			119	60	u31½	30¾	31⅛	+½
42¾	21⅜	Sealed Air			25	54	41⅝	41½	41½	
18⅜	11½	SPX Corp x	0.40	0.03	8	89	12¼	11¾	11¾	−½
43½	24½	Sears Roeb	2.00	0.05	85	4792	38⅝	38¼	38⅝	+⅜
36½	17	Sec Pac	1.62	0.06	46	2103	31⅞	31¼	31¼	−⅛
12½	11⅛	Seligm Sel	0.84	0.07		234	12¼	12⅛	12⅛	
27⅛	19⅞	Sensormat	0.30	0.01	36	864	u27⅛	25¾	25⅞	−1
66⅛	47⅛	Sequa A x	0.60	0.01	121	30	49¼	48	48½	−¼
73½	57¼	Sequa B x	0.60	0.01	11	7	68	58½	68½	
27½	20⅛	ServiceCpI	0.56	0.02	65	2179	25	24¾	25	
34¾	22	Servicemr	1.80	0.06	13	82	33	32⅞	32⅞	−⅜
38½	19⅞	Shaw Ind x	0.50	0.02	28	1043	31¼	29⅞	30	−1¼
10⅜	2⅞	Shawmut Nt	1.00	0.11		11161	9⅜	9¼	9¼	
8⅛	6	Shelby Wll x	0.24	0.04	34	7	6⅝	6½	6½	
56⅝	49⅛	Shell Tr&T	2.47	0.04	12	432	54½	54⅛	54¼	+¼
27⅛	17⅝	Sherwin Wl x	0.42	0.02	18	677	24	23½	23⅝	
19⅛	10½	Shoneys			21	674	19	18¾	18¾	−¼
11¾	3¼	Showboat	0.10	0.01	17	289	10¼	9½	9⅝	−⅝
24¼	20¼	Sierra Pac	1.84	0.08	65	379	23¼	22⅞	22⅞	−⅛
15½	8⅜	SignalApp			4	88	u16⅛	15⅞	16	+⅝
24⅜	7⅛	Signet Bnk x	0.80	0.04	17	644	21	20¼	20¾	+⅛
47⅛	22¼	SiliconGr			140	385	42⅞	42	42	−⅜
13	6	Sizeler	1.00	0.10	70	8745	9⅞	9⅞	9⅞	−⅛
16¾	11½	Sizzler	0.16	0.01	13	3588	11¾	d11⅛	11¼	−½
16¼	13⅞	Skyline	0.48	0.03	35	17	14⅜	14⅛	14⅜	
4⅞	3	SL Inds x	0.11	0.03	14	23	3½	3½	3½	+⅛
11	6½	SmithCoro	0.20	0.03	11	361	7⅞	7⅜	7½	
17⅛	9¾	Smith Intl			112	962	11⅜	11⅛	11¼	
78	56¼	SmthKlBchm x	1.69	0.02	66	264	70⅜	70½	70⅝	+⅜
43⅞	28⅞	Smths Fd x	0.36	0.01	22	543	37	36¼	37	+¼
36¾	20	Smucker J x	0.38	0.01	64	12	34⅞	34⅝	34⅝	
34½	27⅝	SnapOnTls x	1.08	0.03	17	205	31⅛	30⅞	30⅞	−¼
8½	4⅝	Snyder Oil x	0.20	0.02	21	348	8⅛	7⅞	8	+⅛
2⅝	½	Solitron D			1	178	⅝	⅝	⅝	−1/16
47⅞	38	Sonat Inc x	2.00	0.05	408	1016	40¾	40¼	40⅝	+⅛
50	35	Sony ADR	0.30	0.01	21	95	39⅞	39⅝	39⅝	−⅛
16¼	8⅝	Sothebys x	0.60	0.04	25	1389	13⅜	12¾	13¼	+⅛

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
64⅞	35¼	Xerox x	3.00	0.05	59	939	63⅞	62⅝	62¾	−⅞
51¾	43⅛	Xerox4.125 x				3	51¼	51¼	51¼	
25¼	14⅛	Xtra 1.94				12	24	23¾	24	−½
29¾	14¼	Xtra Corp	0.72	0.02	95	41	28⅞	28½	28¾	−⅛
28⅝	21¾	Yankee Egy	1.60	0.06	12	67	28⅜	28⅛	28¼	−¼
1½	⅞	Zapata			2	297	11/16	⅝	⅝	
9⅝	6¼	ZenithElec			2	666	6⅝	6⅜	6⅜	−⅛
16½	12	Zenith Nat x	1.00	0.06	23	43	16¼	16	16⅛	−⅛
8⅝	4½	Zenix Inc	0.84	0.13		52	6¼	6⅛	6¼	+⅛
15⅛	10⅞	Zero Corp x	0.40	0.03	15	283	11⅞	11⅝	11⅝	
41⅞	29½	Zurn Ind x	0.88	0.02	14	138	34⅞	33⅞	34⅞	+¼
13½	10¼	Zweig Fund	1.16	0.09		276	12⅞	12¾	12⅞	
10½	8½	Zweig Totl x	0.96	0.09		906	10⅛	10⅛	10⅛	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian fonds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices November 5

NASDAQ NATIONAL MARKET

4:00 pm prices November 5

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	1630	27	26	26½	−½
XL Data		31	313	10¾	10⅜	10½	+¼
Xoma Corp		48	6923	20¾	19¾	20¼	+1½
Yellow Fr x	0.94	104	1076	31½	31¼	31⅜	
York Rsch		62	425	7¾	7½	7½	−⅛
ZionsUtah	1.44	9	288	47¼	46¾	46⅞	

AMERICA

Fed policy doubts and note auction failure weaken Dow

Wall Street

SHARE PRICES ended lower *yesterday after bond yields had* risen sharply at mid-afternoon in the wake of a surprisingly unsuccessful auction of government securities by the US Treasury, *writes Patrick Harverson in New York*.

At the close the Dow Jones Industrial Average was down 14.31 at 3,031.31. The more broadly based Standard & Poor's 500 receded 1.56 to 388.72. The only gain to be found was on the over-the-counter market, where the Nasdaq composite climbed 1.32 to 538.82. Turnover on the New York SE came to 172m shares.

The market spent most of the day a few points below opening values amid uncertainty about whether the Federal Reserve would cut the discount rate to boost the flagging economy. Although the Fed's policy-making Open Market Committee met yesterday, there was no indication as to when, or if, monetary policy would be eased.

These doubts about Fed policy were subsequently blamed for the failure of the Treasury's $14bn three-year note auction to attract strong demand from bond investors. The auction, described by one trader as disastrous, sent bond prices tumbling and the yield on the long bond back up through 8 per cent.

Among individual issues, Delta fell $1⅛ to $60⅞ after *Shearson Lehman, the broking* house, removed the airline stock from its recommended list and lowered its earnings estimates. The broker cited predictions of fourth quarter *and first quarter 1992 losses* because of Delta's acquisition of Pan Am's European routes.

There was heavy turnover in Salomon again, the stock retreating $1¼ to $28½ on *turnover of 2.7m shares as sev*eral large block trades went through the system.

In recent days the stock has been the subject of heavy buying interest, some of it said to be from one large investor, and the shares have been generally well-bid since last week when the troubled securities house announced its third-quarter profits and $200m addition to reserves to cover liability costs. Yesterday's decline was seen as a natural reaction to the stock's previous gains.

After a delayed opening due to a backlog of sellers, Walt Disney dropped $4⅝ to $113¾ in active trading on news of a downgrading from Goldman Sachs. The broking house took the step because it believes Disney's investment profile will in future be characterised by greater earnings risk, more volatility and less visibility.

Compaq Computer rallied from recent weakness, adding $1 at $27⅝ as investors began picking up the stock on the *belief that its precipitous* decline this year – it peaked in February at $74¼ – now offers a good buying opportunity. The shares have been depressed by poor results and *the departure of the company's* co-founder and president.

Rockwell eased $¼ to $26¼ after the company announced that it would make about $100m in costs savings over the *next few years*.

Canada

STRENGTH IN interest rate-sensitive issues and blue chips kept Toronto in positive territory after disappointing results from the first leg of the US Treasury $38bn refunding sent the market down from midday highs.

The composite index closed a net 13.9 up at 3,525.7, after a high for the session of 3,540. Rises led declines by 322 to 252 after volume of 26.5m shares.

International Murex jumped C$1¼ to C$12½. It said the Federal Drug Administration will conduct an investigation of its Georgia facility, a final step before approval of a Murex drug. The company also declared that it is in talks to acquire Wellcome Foundation's diagnostics division.

Carmakers show evidence of staying power

Antonia Sharpe details earnings forecasts which are giving the sector a new lease of life

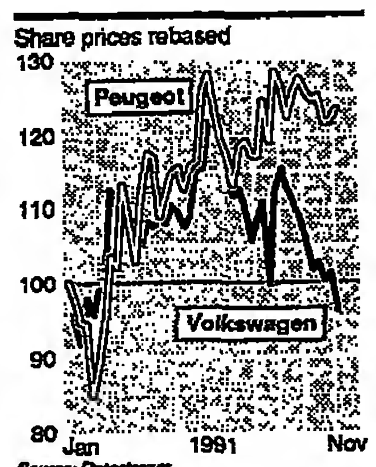
AFTER A FALSE start early in 1991, European car stocks appear to be returning to favour with investors as evidence mounts that the earnings of most manufac*turers are expected to turn* upwards.

Until this year, European carmakers had had a rough ride since their peak in 1986. Data from James Capel, the London stockbrokers, show that European car shares outperformed their respective markets by 19 per cent in that year, but then underperformed by 17 per cent, 3 per cent, 6 per cent and 25 per cent in the following four.

The sector rebounded at the start of this year, as investors took the view that it had been oversold during the Gulf war. Encouraging registration numbers from Germany helped its constituents to reach a relative outperformance of nearly 11 per cent in mid-June. This has, however, since been reduced to only 2 per cent, reflecting the prospect of a decline in German car sales next year.

The 1992 earnings recovery story is based on forecasts of an overall turnround in car sales in Europe and a less aggressive pricing environment. James Capel forecasts that car sales in Europe will recover by 1.5 per cent to 13.45m units in 1992 after falling by 2.4 per cent in 1990 and 1.5 per cent in 1991. But the recovery is not expected to be broadly based. Germany's sales are forecast to fall by 8 per cent in 1992 after a 21 per cent rise this year, helped by the effect of unification. The rest of Europe, next year, is expected to advance by 6 per cent.

According to data from the US-based Institutional Brokers Estimate System, consensus estimates indicate that in 1992 international automotive earnings will be up across the board. At the top end of the forecasts' range is a 977.8 per cent jump in 1992 earnings per share (EPS) to SKr29.10 for Volvo, the Swedish car manufacturer, from SKr2.7 in 1991 when profits collapsed due to the drop in demand for its cars and the cost of introducing new models.



Source: Datastream

Volvo is followed by Peugeot, of France, whose EPS are expected to increase by 29.9 per cent to FFr131.70 in 1992 from FFr101.40 for this year. Among the German car manufacturers, projected rises include a 12.1 per cent improvement for Daimler-Benz, 6.8 per cent for BMW and 5.2 per cent for Porsche, but Volkswagen's EPS are predicted to decline by 1.2 per cent to DM33.50.

Analysts are keenest on car companies which have the highest exposure to the UK, France and Spain, where the recovery in sales should be strongest. Thus Peugeot, its components supplier Valeo, and Michelin, the tyre manufacturer, appear frequently on brokers' buy lists.

Exposure to the US car market and the fall in sales at home could hamper the performance of German car shares. A depressed domestic market is especially damaging for the volume car producer Volkswagen. Last week several brokers downward revised their 1991 and 1992 earnings estimates for VW, on fears that the launch costs for the new Golf model will be higher than expected and that the consolidation of its stake in Skoda, the Czech car manufacturer, will not be painless.

Daimler stands out as a good recovery play – both UBS Phillips & Drew and County NatWest have recently changed their recommendations on the stock from hold to a buy – as the success of its new S class model is augmented by indications that its Deutsche Airbus aerospace subsidiary is starting to make a profit.

Daimler's management will also be keen on a buoyant share price to get its planned DM2bn rights issue away safely at the end of next year.

Managerial tactics are also likely to make Fiat's share price do better than fundamentals might suggest. Not only has Fiat lost its grip on the domestic market – which is not expected to recover next year – it is not due to launch any new models until 1993. But the management has hinted that it would resort to asset sales in order to avoid cutting the 1991 dividend, a fate narrowly avoided by last year's payout.

EUROPE

Stories add colour to tentative Frankfurt

MOST BOURSES moved higher yesterday, although rises were tentative, *writes Our Markets Staff*.

FRANKFURT rose modestly, closing higher for the first time in a week, but market professionals were not impressed with a 5.91 rise in the DAX to 1,576.12, after a 2.38 gain to 651.85 for the FAZ at midsession.

They pointed to volume, which remained low at DM3.7bn after DM3bn on Monday, and further weakness in bonds, as professionals waited for another rise in interest rates and the much discussed withholding tax on interest income.

There were conflicting stories from Dortmund, where Mr Kajo Neukirchen, the Hoesch chairman, addressed a workers' meeting. One report talked of Krupp gaining a majority of the Hoesch equity within a few days; another concentrated on Hoesch's ability to go it alone.

Meanwhile, elements in the market were talking about *Bethlehem Steel of the US as a* white knight for Hoesch, and the shares rose DM13.50 to DM271. Other sources described this as a game, and a dangerous one at that.

Volkswagen, *on the other* hand, improved on two stories, both of them true: the first was VW's talks with Suzuki of Japan on possible joint production of mini-cars in Europe; the second was a 6.7 per cent wage deal with IG Metall compared with the 10 per cent originally asked for. VW shares rose DM2.80 to DM326.80.

PARIS was resilient in the face of a flat opening on Wall Street and the weakness of the Matif and the franc. The CAC 40 index rose 5.40 to close at 1,846.91, near its day's high, as turnover improved slightly to about FFr1.7bn from FFr1.6bn.

BNP certificates gained FFr19 or 6 per cent to FFr337 as 95,750 changed hands. There have been a few bullish analysts' studies on BNP recently, said one dealer. He added that comments late on Monday by Mr Pierre Bérégovoy, the finance minister, that total privatisations could resume in 1993 could also have boosted the state-controlled bank.

Colas, the road-builder, gained FFr17 or 2.7 per cent to FFr639. The dealer said that this was probably thanks to a government announcement of *FFr1.2bn* to be spent on highway construction. Arjomari-Prioux continued to fall after last week's news that it is to be removed from the CAC 40 index, losing another FFr69 or 3.1 per cent to FFr2,161.

Peugeot gained FFr5 to FFr614 after better-than-expected third quarter sales.

AMSTERDAM was supported by a slightly higher dollar and a firm showing in London. The CBS Tendency index closed steady at 89.1 in turnover of Fl 586.5m.

Akzo, the chemical group, added another Fl 2.50 to Fl 125 on US demand while Aegon, the insurer, rose Fl 1.60 to Fl 111 on news that it plans a stock split next year. Aegon shares were be listed on the New York Stock Exchange yesterday, replacing trading in its shares on the Nasdaq.

Medicopharma, the pharmaceutical wholesaler, lost Fl 2.70 to Fl 18.30 following Monday's decision to close its UK businesses to cut debt.

ZURICH was led higher by banks and insurers as the Crédit Suisse index rose 3.8 to 485.4 in good institutional buying, especially from abroad.

Union Bank rose SFr60 to SFr3,290 on the bank's bullish outlook for 1991. Among insurers, Swiss Re certificates rose SFr4 to SFr484 for similar reasons and Winterthur bearers, SFr100 higher at SFr3,480, followed the company's progress report on Monday.

MILAN was little changed in quiet trading. The Comit index added 0.22 to 513.21 in turnover similar to Monday's L58bn.

Fiat, which holds a news conference tomorrow to make an announcement unrelated to its car-building activities, closed L9 lower at L4,844. Among the day's gainers was Pirelli, which rose L3 to L1,815 on hopes of an early accord with Continental of Germany.

BRUSSELS firmed on the first day of the new two-week forward account, with the Bel20 index rising 6.35 to 1,104.57. One of the day's biggest gains was by Acec-Union Minière, which added BFr125 or 6.1 per cent to BFr2,145 in volume of 16,850 shares, including a block trade of 5,000 at BFr2,100 each. The rise was described as technical.

MADRID inched higher in light trading. The general index rose 0.45 to 258.95 in turnover of about Pta9bn, after Monday's Pta8bn. Endesa, the utility, gained Pta55 to Pta2,715 in volume of 298,701 shares. It announced nine-month pre-tax profits up 23 per cent.

STOCKHOLM showed little reaction to the government's austere economic policy statement, which was released in the afternoon. The Affärsvärlden General index eased 0.8 to 1,014.9 in turnover of SKr209m after SKr163m.

Astra restricted A shares continued to go against the trend, rising SKr4 to SKr528. But S-E Banken fell on uncertainty about what it intends to do with its stake in Skandia, the insurance group. S-E Banken C shares rose SKr2 to SKr60 while Skandia dropped SKr2 to SKr184.

OSLO's all-share index slipped 1.82 to 455.46.

FT-SE Eurotrack 100 - Nov 5

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1091.29	1090.86	1091.07	1092.10	1092.70	1093.67	1093.15	1092.54

Day's High 1094.16 Day's Low 1090.67

Nov 4	Nov 1	Oct 31	Oct 30	Oct 29
1088.07	1095.11	1096.45	1101.22	1099.96

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei falls as investors wait for discount rate cut

Tokyo

SMALL-LOT profit-taking in light volume left share prices marginally weaker yesterday after Monday's holiday, *writes Emiko Terazono in Tokyo*.

The Nikkei average closed 93.38 lower at 24,950.86 after a high of 25,100.68 and a low of 24,886.81. The index fell to its low early in the afternoon, but recouped some of its loss on arbitrage-related buying.

Volume fell to 200m shares, as investors waited for an official discount rate cut. Losers led gainers by 533 to 403, with 204 issues unchanged. The Topix index of all first section stocks shed 3.60 to 1,878.16 and, in London, the ISE/Nikkei 50 index eased 1.85 to 1,418.59.

Traders said that a discount rate reduction, expected soon after the appointment of Mr Kiichi Miyazawa as Japan's new prime minister yesterday, was already reflected in share prices. Mr Peter Johnson at Baring Securities said the market will move sideways or decline slightly on profit-taking. "Share prices will move up once the market sees room for a further easing, possibly at the beginning of December," he added.

Mr Masaru Hayami, chairman of the Japan Association of Corporate Executives, doubted that the rate would be cut before Mr Yasushi Mieno, *governor of the Bank of Japan*, returns on November 13 from a meeting of the Bank of International Settlements in Basle.

Some traders were concerned over the prospect of a *postponement*. "*Since the rate* cut is fully incorporated in share prices, the market may fall sharply if it does not materialise soon," commented Mr Masami Okuma at UBS *Phillips & Drew*.

Speculative issues were prominent yesterday. Toyo Tire & Rubber, the most active issue of the day, moved ahead Y80 to Y1,090 and Nippon Carbon climbed Y190 to Y2,020, although Honshu Paper, the speculative favourite, eased Y4 to Y993.

Export-oriented high-technology issues were sold on the higher yen. The dollar fell Y1.36 against the yen to close at Y129.38 on expectations of further credit easing in the US. NEC slipped Y10 to Y1,280 and Sony Y10 to Y5,150.

Construction issues gained ground on expectations that Mr Miyazawa will try to boost the economy through public works projects. Sato Kogyo put on Y20 to Y1,540 and Haseko Y17 to Y877.

In Osaka, the OSE average closed 119.42 lower at 26,991.29 in volume of 9.2m shares, falling below the psychologically important 27,000 level for the first time since October 18.

Shimano declined Y10 to Y2,790. The issue has been weak on last week's rumours that the company will revise down its forecast for the current business year.

Roundup

THE PACIFIC Rim was mostly firmer yesterday, with the exception of Seoul. Kuala Lumpur and Singapore were closed.

HONG KONG surged to a new record high on a wave of foreign buying. There was optimism that the government's anti-inflation package, due today, would contain only modest measures and have a limited effect on property speculation.

The Hang Seng index forged *ahead 53.50 to 4,146.54*, eclipsing its previous peak of 4,093.41 reached on October 3. Turnover grew to HK$1.97bn from HK$1.28bn.

SEOUL registered its fifth *consecutive decline, the com*posite index easing 2.88 to 667.04 under heavy selling pressure as turnover rose from Won 207.6bn to Won213.6bn.

The slide was slowed in the afternoon by reports that the government will prevent Chung Ju-yung, owner of Hyundai Group, and members of his family from selling their shareholdings to pay back-taxes and penalties.

*Meanwhile, the public offer*ing of Korea Exchange Bank shares set for mid-November has also contributed to concern about the oversupply of scrip.

NEW ZEALAND rose 1.6 per cent, *the NZSE-40 index closing* 24.28 ahead at 1,551.31, just below its record of 1,559.56, in turnover up from NZ$9.5m to NZ$21.2m.

Among the dual-listed stocks, Brierley Investments, which sheds a four-cent dividend today, improved 3 cents to NZ$1.12 on the heaviest individual volume of 1.9m shares. The brewing and retail concern Lion Nathan came next with 1.4m as it added 9 cents at NZ$4.05.

TAIWAN ran up sharply in active dealing, putting on 3.4 per cent on reports that its central bank is considering an interest rate cut. An improved domestic political situation also helped. The weighted index finished 144.59 stronger at 4,423.43 and turnover expanded from T$14bn to T$23.8bn.

The central bank is expected to respond quickly if both the US Federal Reserve and the Bank of Japan cut their discount rates.

AUSTRALIA saw business thinned by the Melbourne Cup horse race, and turnover fell from A$348m to A$188m as analysts waited for lower interest rates. The All Ordinaries index rose 11 to 1,692.7.

Banking shares, which will particularly benefit from a cut in interest rates, all rose. Elsewhere, News Corp gained a fur*ther 48 cents to A$15.80.*

MANILA's composite index rose 5.25 to 1,031.74 in turnover of 55.8m pesos, after 29.3m.

SOUTH AFRICA

INDUSTRIAL shares closed mixed to higher, but golds ended slightly lower. The all-share index gained 4 to 3,505, *as the industrial index added* 14 to 4,271 while the all-gold index fell 2 to 1,143. Vaal Reefs fell R1 to R201.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 5 1991								MONDAY NOVEMBER 4 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	159.91	+0.3	133.94	131.20	136.51	135.71	+0.6	4.49	159.46	132.78	129.93	135.38	134.94	159.91	112.74	123.12
Austria (20)	162.16	+1.8	135.83	133.05	138.43	138.27	+2.0	2.06	159.32	132.67	129.82	135.27	135.50	222.37	153.86	205.64
Belgium (47)	133.01	+0.0	111.41	109.12	113.54	111.19	+0.6	5.32	132.98	110.73	108.34	112.89	110.51	151.20	118.04	140.68
Canada (115)	142.42	+0.4	119.30	116.85	121.57	115.61	+0.5	3.23	141.84	118.11	115.57	120.42	115.09	142.42	126.49	124.59
Denmark (37)	260.83	-0.8	218.47	214.01	222.66	225.97	-0.3	1.57	262.94	218.94	214.25	223.23	226.55	270.56	217.74	257.26
Finland (15)	86.43	-0.5	72.39	70.92	73.78	72.55	+0.1	3.36	86.89	72.35	70.80	73.77	72.46	125.15	83.69	105.55
France (109)	144.31	-0.4	120.88	118.40	123.18	127.05	+0.2	3.49	144.86	120.62	118.02	122.98	126.80	152.26	119.11	140.41
Germany (65)	109.75	-0.1	91.93	90.06	93.69	93.69	+0.4	2.42	109.91	91.52	89.56	93.31	93.31	125.35	94.15	114.32
Hong Kong (55)	171.02	+1.7	143.25	140.32	146.00	170.46	+1.7	4.43	168.23	140.08	137.07	142.83	167.65	171.02	119.62	120.39
Ireland (18)	161.45	-0.6	135.24	132.47	137.83	139.78	-0.1	3.58	162.48	135.29	132.39	137.94	139.90	182.46	132.88	162.87
Italy (77)	69.99	-0.6	58.62	57.42	59.74	64.31	+0.0	3.61	70.41	58.63	57.37	59.78	64.31	88.23	64.76	84.96
Japan (474)	142.80	-0.9	119.61	117.16	121.92	117.16	-0.2	0.72	144.15	120.03	117.45	122.39	117.45	146.97	118.23	133.08
Malaysia (68)	203.02	+0.0	170.05	166.57	173.31	214.24	+0.0	2.88	203.02	169.05	165.41	172.36	214.24	247.78	189.18	197.72
Mexico (17)	1347.11	+1.1	1128.37	1105.28	1149.99	4420.05	+1.1	1.16	1332.32	1109.40	1085.57	1131.13	4371.54	1347.11	534.45	548.77
Netherland (31)	143.84	+0.0	120.49	118.02	122.80	121.49	+0.6	4.44	143.83	119.77	117.19	122.12	120.72	145.73	125.70	134.51
New Zealand (14)	50.29	+1.9	42.13	41.27	42.94	47.42	+1.9	8.13	49.37	41.11	40.23	41.92	46.52	54.64	41.18	49.32
Norway (30)	187.60	-0.8	157.14	153.93	160.16	163.92	-0.3	1.58	189.19	157.53	154.15	160.62	164.34	223.24	178.58	227.89
Singapore (38)	202.32	-0.2	169.47	166.01	172.72	155.94	+0.0	2.24	202.75	168.82	165.20	172.13	155.94	208.25	151.83	157.29
South Africa (61)	260.22	+0.4	217.96	213.50	222.14	176.37	+0.1	2.77	259.24	215.87	211.23	220.09	176.25	260.65	173.00	152.75
Spain (53)	152.88	-0.9	128.06	125.44	130.51	119.93	-0.1	4.57	154.23	128.43	125.67	130.94	120.06	171.12	131.51	147.76
Sweden (25)	188.10	-0.7	157.56	154.34	160.58	166.94	-0.2	2.67	189.44	157.74	154.36	160.83	167.25	204.12	146.60	171.61
Switzerland (59)	95.86	-0.2	80.30	78.66	81.85	86.09	+0.7	2.24	96.05	79.98	78.27	81.56	85.45	100.67	82.17	91.52
United Kingdom (240)	180.62	-0.1	151.29	148.18	154.17	151.29	+0.4	4.91	180.88	150.61	147.36	153.55	150.61	187.44	156.27	163.30
USA (526)	157.96	-0.4	132.31	129.61	134.85	157.96	-0.4	3.07	158.55	132.02	129.19	134.61	158.55	161.02	125.95	125.58
Europe (826)	141.95	-0.2	118.90	116.47	121.19	120.74	+0.4	3.98	142.29	118.48	115.94	120.81	120.29	151.52	125.50	137.16
Nordic (107)	185.99	-0.8	155.79	152.60	158.77	156.78	-0.2	2.06	187.42	156.06	152.71	159.11	157.13	200.81	155.55	153.15
Pacific Basin (718)	143.53	-0.8	120.23	117.77	122.53	118.85	-0.1	1.06	144.66	120.45	117.87	122.82	119.01	145.92	117.86	131.95
Euro-Pacific (1544)	143.25	-0.6	119.99	117.53	122.29	120.46	+0.1	2.21	144.07	119.96	117.38	122.31	120.58	147.66	121.29	134.43
North America (841)	156.92	-0.3	131.44	128.76	133.98	155.10	-0.3	3.07	157.43	131.09	128.29	133.68	155.61	159.66	125.91	125.41
Europe Ex. UK (586)	119.03	-0.3	99.70	97.68	101.64	103.22	+0.3	3.27	119.40	99.42	97.31	101.39	102.89	129.80	103.58	120.77
Pacific Ex. Japan (244)	150.70	+0.7	126.23	123.66	128.66	133.63	+0.9	4.18	149.61	124.58	121.92	127.03	132.46	150.70	111.40	117.98
World Ex. US (1737)	145.20	-0.5	121.63	119.15	123.96	121.92	+0.1	2.25	145.94	121.52	118.92	123.91	121.81	148.16	122.32	134.62
World Ex. UK (2023)	145.35	-0.5	121.75	119.26	124.09	131.40	-0.1	2.27	146.07	121.63	119.02	124.02	131.58	145.07	120.06	127.23
World Ex. So. Af. (2202)	147.68	-0.5	123.70	121.18	126.08	132.93	-0.1	2.54	148.38	123.55	120.91	125.98	133.03	148.66	122.92	130.24
World Ex. Japan (1789)	152.83	-0.2	128.01	125.41	130.49	142.01	+0.0	3.43	153.16	127.54	124.81	130.06	142.00	153.17	126.59	130.35
The World Index (2263)	148.43	-0.5	124.32	121.79	126.72	133.30	-0.1	2.54	149.10	124.16	121.49	126.50	133.41	149.10	123.23	130.43

Markets closed November 5. Malaysia and Singapore.

FT LAW REPORTS

Auditors are permitted to inspect confidential statement

RE BRITISH & COMMONWEALTH HOLDINGS PLC
Court of Appeal (Lord Justice Nourse, Lord Justice Ralph Gibson and Lord Justice Woolf): October 31 1991

A PERSON who seeks to set aside an order for production of documents obtained against him by company administrators on the basis of a statement filed with the court will, at the court's discretion, be permitted to inspect the statement if the court would otherwise be unable fairly and properly to dispose of his application to set aside, and if the administrators fail to show that confidentiality is appropriate.

The Court of Appeal so held when allowing an appeal by Spicer & Oppenheim (S&O), subject to any plea of confidentiality, from Mr Justice Morritt's dismissal of their application for leave to inspect a confidential statement filed by the administrators of British & Commonwealth Holdings plc (B&C), in support of an *ex parte* application against S&O for production of documents for the purpose of an investigation into B&C's affairs.

The administrators' appeal from Mr Justice Hoffmann's decision *(FT, August 6 1991)* that S&O need not disclose the documents was adjourned.

LORD JUSTICE NOURSE said that on September 1 1988 B&C acquired Atlantic Computers plc for £420m. Over the following 19 months it put in another £117m.

In April 1990 B&C was informed by Atlantic's auditors that without massive additional support it could not continue to trade. B&C was unable to provide funds and on April 18 administrators were appointed by the court.

B&C went into administration on June 3.

Atlantic's statement of affairs showed a deficiency of assets of £279m. That remarkable reversal compared with its apparent prosperity at time of acquisition raised questions about how its affairs had been conducted.

On June 15 the secretary of state appointed inspectors to investigate Atlantic's affairs. The crash also raised questions about representations made to B&C by Atlantic's directors and advisers at the time the acquisition was made.

S&O were Atlantic's auditors from 1983 until June 2 1989.

Before the acquisition they had given an unqualified audit opinion on Atlantic's financial statements for 1987. During the acquisition they produced a working capital report on the instructions of Atlantic's merchant bank advisers. On May 4 1989 they gave an unqualified audit opinion of its financial statements for 1988.

Since the acquisition had heaped vast losses on B&C, the administrators regarded it as their duty to see whether B&C had any claims against any of those who played a part in it.

They asked S&O to produce documents for their investigation. Except to a limited extent production was refused.

Accordingly, the administrators applied for an order for production of documents to them under section 236(2)(c) and (3) of the Insolvency Act 1986.

On April 29 1991 Mr Registrar Scott ordered S&O to produce any "books, papers or other records in their possession custody or control" having any connection with the 1987 and 1988 audits of Atlantic, and with the acquisition.

S&O applied for liberty to inspect the administrators' confidential statement to the court, filed in support of the application for the registrar's order. On June 10 Mr Justice Morritt dismissed the application. S&O now appealed.

It had never been in doubt that the confidential statement of a liquidator or other office-holder could not be inspected by the person against whom a section 236 order was sought, without leave of the court.

But for more than a century, probably since 1862, it had been the invariable practice of the Companies Court for the statement to be withheld. There was no recorded case in which an order for inspection had been made. It seemed to have been assumed by judges and practitioners that there was no discretion in the matter.

In Re Gold Co (1879) 12 ChD 77,82 Jessel MR said it was not desirable for a liquidator to file anything which could be inspected by the person against whom he intended to proceed, and which "might afford information which would enable him to defeat any proceeding to be taken against him".

The practice had been recognised and affirmed by several experienced judges of the Companies Court.

Since the coming into force of the Insolvency Rules 1986, inspection of a confidential statement had been governed by express provisions (see rules 7.30, 7.31, 9.1, 9.2, and 9.5(2) and (3)).

Rule 9.5(2) provided that the written record of an examination under section 236 "shall not be open to inspection, without an order of the court" to any person other than the applicant for the section 236 order, or any person who could have applied for it. By subrule 5(3) that applied also to so much of the court file as showed the grounds of the sec*tion 236 application*.

The reason for the practice advanced by Jessel MR was that if an inspection of the statement would afford to the person against whom it was intended to proceed information which would enable him to defeat the proceedings, it was undesirable that inspection should be allowed.

For example inspection would not be desirable if the statement referred to legal advice as to the administrator's prospects of success in the proceedings; or referred to information given under a bond of confidentiality which ought to be respected.

On the other hand, there must be many cases where there was nothing in the statement which needed to be withheld.

Mr Goldsmith for S&O submitted that if the court made an order under section 236, it could only do so in reliance on the material which the statement contained. How, he asked, could the person against whom the order was made adequately pursue his undoubted right of seeking to set it aside if he did not know what that material was?

Mr Moss for the administrators did not go so far as to contend that there could not be exceptional cases where inspection ought to be allowed. But the narrowness of his exception was demonstrated by the example of a case where it was questionable whether the application was being pursued in good faith.

The correct approach to an application to inspect the confidential statement was to be found somewhere between those two extremes.

The principle now recognised by rule 9.5, that the statement should not be open to inspection without a court order, immediately differentiated the case from one where the general principle relied on by Mr Goldsmith must prevail.

Clearly the person against whom the order was sought must discharge some burden, be it great or small, before the court could exercise its discretion in his favour. And yet, if Mr Moss was right, the occasions for its exercise were so rare as in reality to reduce it to *no discretion at all*.

The confidential statement although unsworn, was the evidence on which the *ex parte* order was made. Further evidence, usually from both sides, was then filed on the application to set it aside.

Inspection of the statement should *prima facie* be allowed where the court was of the opinion that it would or might be unable fairly and properly to dispose of the application if part of the evidence was withheld from the person against whom the order was sought.

It would then be for the administrator to satisfy the court that confidentiality in whole or in part was nevertheless appropriate.

One of the points which S&O had made was that they were never the auditors of B&C and were never in any contractual relationship with it.

Moreover, the order was in very wide terms. If S&O were not allowed to inspect the statement so that they could scrutinise the basis on which the order was made and see whether its width was justified, the court might well be unable fairly and properly to dispose of their application to have it set aside.

Therefore, subject to any plea for confidentiality by the administrators, an appeal should be allowed against Mr Justice Morritt's order, and S&O would be directed that they were at liberty to inspect the administrators' statement.

Their Lordships agreed.

For S&O: Peter Goldsmith QC and Robin Knowles (Linklaters & Paines).

For the administrators: Gabriel Moss QC and John Brisby (Stephenson Harwood).

Rachel Davies
Barrister